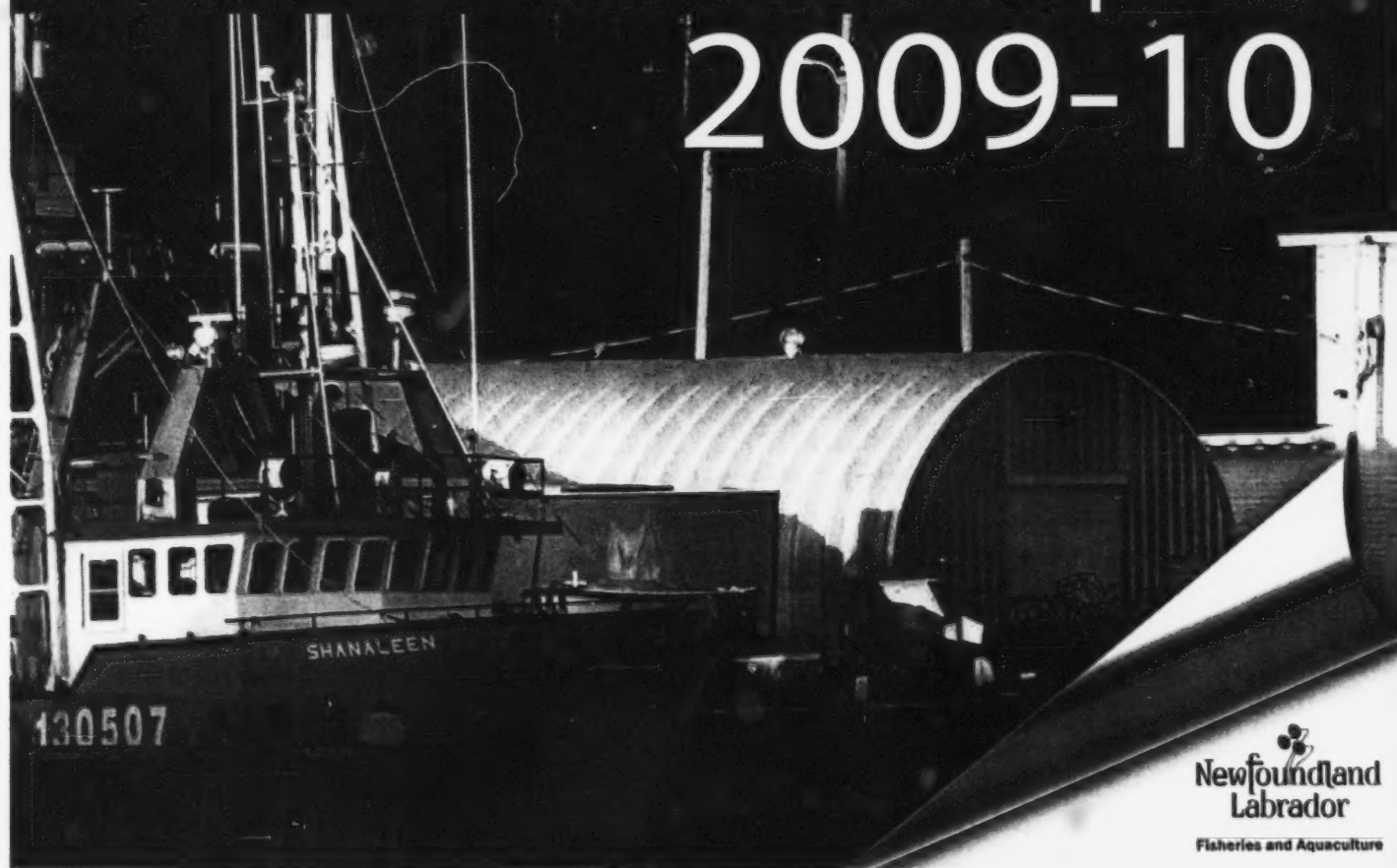


Annual Report 2009-10



(Blank Page)

Message from the Minister



In accordance with government's commitment to greater accountability and transparency, I am pleased to present the 2009-10 Annual Report for the Department of Fisheries and Aquaculture. The report illustrates the progress we made toward achieving the intended results of both our 2008-11 Strategic Plan and the strategic directions of government as they relate to this department. As Minister responsible for the Department of Fisheries and Aquaculture, I am accountable for the results reported within this document.

Despite the ongoing challenges and structural issues facing the industry, the department delivered on its mandate to promote and support professional and sustainable fishing and aquaculture industries for the benefit of the province as a whole. The department has been diligent in these pursuits and will continue to advocate on behalf of those involved in the seafood producing sector. This work is also in keeping with our strategic directions to enhance the sustainability of the aquaculture sector and to strengthen the fishing industry as a key pillar of sustainable economic growth.

In the aquaculture industry, the department has focused on developing comprehensive and sound infrastructure plans that will ensure the growth of a strong, secure and sustainable industry. The construction of wharves, wastewater treatment facilities and the new Centre for Aquaculture Health and Development (CAHD) will serve to ensure strong fish health performance, and enhance the sustainable growth and development of the industry. The Centre will have a state-of-the-art aquatic health laboratory, that will provide applied clinical research and will be the focal point for advanced biosecurity for the industry.

We have also undertaken numerous initiatives to further increase the efficiency of the fisheries sector. In July 2009, my department signed a Memorandum of Understanding (MOU) with the Fish, Food and Allied Workers (FFAW) and the Association of Seafood Producers (ASP). The MOU is essentially a further commitment by its signatories to address and find satisfactory solutions to the structural, resource, market and policy issues that negatively impact the economic viability of the fishing industry. Increased efforts in marketing, development, quality and efficiency under the Fisheries Technology and New Opportunities Program (FTNOP), combined with the work being done through the MOU, lend further support to our government's strategic direction to strengthen the fishing industry as a key pillar of economic growth.

In line with our strategic direction to enhance the province's position on fishery matters falling under federal jurisdiction, my department monitored federal government policy pertaining to marine fisheries, aquaculture, trade and coastal and ocean management and engaged in various processes to communicate our position on these issues. In this way we ensured the federal government was informed of the province's priorities in respect to these matters.

I am pleased with the accomplishments outlined in this report and I would like to acknowledge all those who contributed to the successes of the Department of Fisheries and Aquaculture over the past year. Your hard work and dedication have been instrumental in realizing the goals set out in our 2008-11 Strategic Plan.

A handwritten signature in cursive script that reads "Clyde Jackman".

Clyde Jackman, M.H.A.
Burin-Placentia West
Minister of Fisheries and Aquaculture

(Blank Page)

TABLE OF CONTENTS

INSIDE

| | |
|---|----|
| Department Overview | 2 |
| Introduction | 2 |
| Vision | 2 |
| Mission | 2 |
| Lines of Business | 2 |
| Mandate | 3 |
| Number of Employees | 4 |
| Legislation | 4 |
| Distribution of Actual Net Expenditures 2009-10 | 4 |
| Statement of Expenditure and Related Revenue | 5 |
| Shared Commitments | 6 |
| Strategic Issue 1 | 12 |
| Strategic Issue 2 | 18 |
| Strategic Issue 3 | 22 |
| Strategic Issue 4 | 30 |
| Strategic Issue 5 | 35 |
| Market Overview | 40 |
| Committee Participation | 41 |
| Event Participation | 41 |
| Fishing Industry Challenges and Opportunities | 42 |
| Aquaculture Challenges and Opportunities | 43 |

Publication Prepared by:
Planning Services Division
Department of Fisheries and Aquaculture
September 2010

Department Overview



The 2009-10 Annual Report presents the progress the department made in the fiscal year toward meeting the objectives set out in our 2008-11 Strategic Plan and the manner in which this work was performed. The Department Overview and financial sections provide information about the department; its structure, mandate and vision. The Shared Commitments section highlights those government departments, agencies, groups and industry participants with whom we collaborated to fulfill our objectives.

In the Strategic Issue sections, we report on the five strategic issues by discussing our accomplishments and overall results in meeting the annual objectives for 2009-10, as well as identifying our objectives for the 2010-11 fiscal year. We outline in detail the various activities undertaken and goals achieved by the department and how these activities supported the department's strategic directions. Lastly, the Challenges and Opportunities section details some of the obstacles we have encountered in meeting our strategic objectives and some of the opportunities we have identified to advance and support the development of the province's fishing and aquaculture industries.

Introduction

The Department of Fisheries and Aquaculture (DFA) fosters the development of the province's fishing and aquaculture industries. Licensing and regulating the fish processing sector falls under the department's responsibilities.

As well, the department invests in extensive research and development, seafood product promotion, and industry representation to the federal government and global markets to support the development of these key industries in Newfoundland and Labrador (NL).

In 2007, the department launched a suite of programs under the Fishing Industry Renewal (FIR) strategy intended to revitalize the fishing industry. In July of 2009, the provincial government signed an MOU with ASP and the FFAW. The MOU provides for additional opportunities to address the long-term structural issues in this province's fishing industry. It builds upon the work begun during the FIR strategy process, though with an accelerated approach.

The province also contributes to the expansion and sustainable management of the aquaculture industry through the development of extension services, infrastructure, and investment incentives. Despite global economic unrest, our aquaculture sector is growing, and our strong focus on sustainable management, fish health and biosecurity will support the long-term viability of this sector.

Vision

The vision of the Department of Fisheries and Aquaculture is sustainable fishing and aquaculture industries that achieve their

optimum economic contribution to the Province of Newfoundland and Labrador.

Mission

By 2011, the Department of Fisheries and Aquaculture will have supported the strengthening of the fishing sector and the expansion of the aquaculture industry to create economic opportunities for the province.

Lines of Business

Licensing

The department administers and issues licenses to all fish buyers, processing operations, and aquaculture facilities in the province. This is accomplished through policy development. The department provides guidelines and criteria to the Fish Processing Licensing Board as outlined in the Processing Licensing Policy Manual. The board reviews all fish processing licensing and buyer applications and makes recommendations to the Minister of the Department of Fisheries and Aquaculture regarding each application submitted to the province. The Minister makes the final decision on all licensing applications. The department also issues aquaculture licenses as regulated under the NL *Aquaculture Act* and regulations.

Development and Diversification

The department provides technical and financial support in the development of harvesting, culturing, processing and marketing to the fishing and aquaculture industries. Activities include processing sector diversification, aquaculture investment, technology transfer, market intelligence, quality assurance and infrastructure support.

The department also provides market analysis to support industry by coordinat-

ing the collection and dissemination of market intelligence information to industry stakeholders. This information is provided to the FFAW, processor associations, and the Standing Fish Price-Setting Panel in support of collective bargaining.

Inspection, Compliance and Regulatory Enforcement

The department conducts comprehensive inspection, compliance and regulatory programs for the fishing and aquaculture industries within its legislative authorities. Inspectors also educate the seafood industry on the proper techniques and requirements which will help to build stronger working relationships with industry stakeholders. The Department of Fisheries and Aquaculture inspectors conduct inspections of fish at buying stations, processing plants, at dockside and onboard vessels. The department's fisheries auditors conduct audits of processing plants to ensure compliance with regulations, policies and conditions of licenses.

The department also conducts inspections of aquaculture sites and facilities to ensure compliance. The department's aquatic animal health staff monitors aquaculture facilities for the presence of disease pathogens. Working in partnership with industry will enhance our understanding of the issues facing the seafood industry.

Policy Development and Planning

The department provides advice on fisheries and aquaculture policies, and implements policies for the support of resource and industry management, growth and development. In addition, the department leads strategic planning and reporting; financial and economic analysis; analysis and distribution of statistics and resource information; and policy analysis and development of positions on fisheries resource issues. It also leads the province's participation on ocean governance, planning issues and resource management/allocations, and communication of policies and positions to the federal government.

Mandate

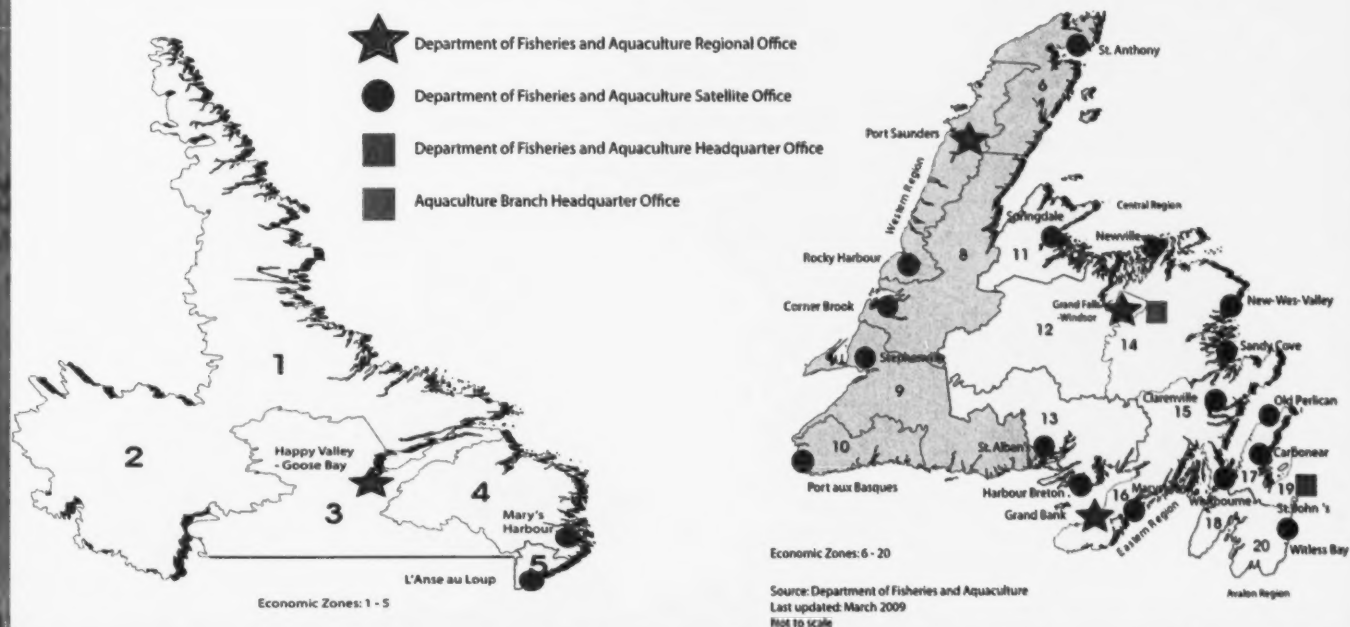
The mandate of the Department of Fisheries and Aquaculture is derived from *The Executive Council Act* and includes *the supervision, control and direction of all matters relating to:*

- the promotion, development, encouragement, protection, conservation and regulation of fisheries and aquaculture; and*
- the administration of the Acts set out in the Schedule and of all orders and regulations passed or made under those acts, including those powers, functions or duties necessary or desirable for carrying out the purpose of those Acts,*

which are not, or insofar as they are not, the responsibility of another minister; agency, body, corporation, board, organization or person.

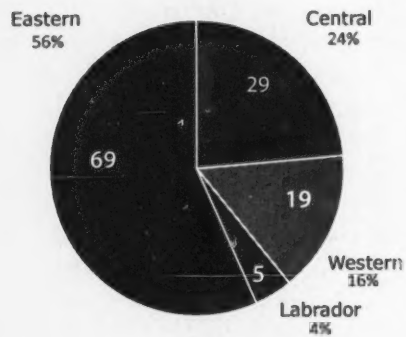
PHYSICAL LOCATION

DFA headquarters is located in St. John's and the Aquaculture Branch main office is located in Grand Falls-Windsor. The department has 4 regional offices and 19 satellite offices situated throughout the province.

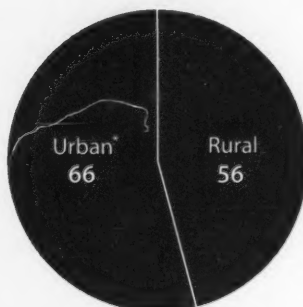


Department Highlights

Employee Distribution by Region

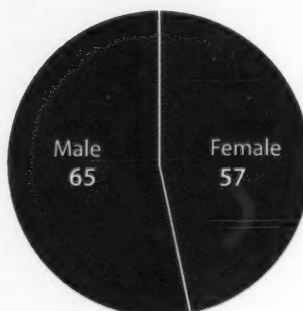


Employee Distribution by Rural/Urban



*For the purpose of this report, urban is defined as St. John's and the metropolitan area.

Employee Distribution by Gender



Number of Employees:

The department employs 122 people, who work in four branches:

- a) Fisheries, b) Aquaculture, c) Marketing and Development, and
- d) Policy and Planning.

Legislation

The department's work is guided by provincial and federal legislation:

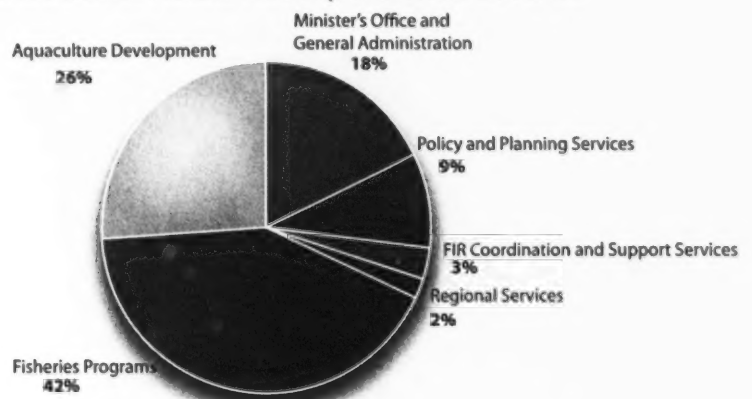
Provincial Legislation

- ◀ *Aquaculture Act and Regulations*
- ◀ *Fisheries Act (Schedule of The Executive Council Act)*
- ◀ *Business Investment Corporation Act (Fisheries Loan Guarantee Program)*
- ◀ *Fish Inspection Act and Regulations*
 - Fish Inspection Administrative Regulations
 - Fish Inspection Operations Regulations
 - Fish Inspection Ticket Offences Regulations
 - In-province Retail Fish Establishment Regulations
- ◀ *Fishing Industry Collective Bargaining Act*
- ◀ *Fish Processing Licensing Board Act*
- ◀ *Fisheries Restructuring Act*
- ◀ *Professional Fish Harvesters Act*

Federal Legislation

- ◀ *Fisheries Act*
- ◀ *Fish Inspection Act*
- ◀ *Oceans Act*
- ◀ *Marine Mammal Regulations*

Distribution of Actual Net Expenditures 2009-10



Department of Fisheries and Aquaculture
Statement (Unaudited) of Expenditure and Related Revenue
Summary for the Year Ended March 31, 2010*

| | ESTIMATES | | |
|--|-------------------|-------------------|-------------------|
| | Original \$ | Amended \$ | Actual \$ |
| EXECUTIVE AND SUPPORT SERVICES | | | |
| Minister's Office | | | |
| Minister's Office | 400,100 | 400,100 | 311,051 |
| General Administration | | | |
| Executive Support | 1,124,300 | 974,300 | 952,915 |
| Administrative Support (Capital) | 6,627,600 | 6,277,600 | 2,146,563 |
| Revenue | (1,000,000) | - | - |
| Policy and Planning Services | | | |
| Planning and Administration | 1,143,700 | 1,033,700 | 1,014,701 |
| Revenue - Provincial | (2,000) | (2,000) | (30,057) |
| Sustainable Fisheries Resources and Ocean Policy | 966,400 | 886,400 | 804,929 |
| Fishing Industry Renewal Strategy | | | |
| Coordination and Support Services | 1,730,900 | 880,900 | 643,027 |
| Executive and Support Services Subtotal | 10,991,000 | 9,451,000 | 5,843,129 |
| FISHERIES DEVELOPMENT | | | |
| Regional Services** | | | |
| Administration and Support Services | 3,662,200 | 3,631,200 | 3,527,002 |
| Revenue - Provincial | (44,500) | (44,500) | (37,422) |
| Revenue - Federal | - | - | (3,075,000) |
| Fisheries Programs | | | |
| Seafood Marketing and Support Services | 1,642,800 | 1,692,800 | 1,679,142 |
| Licensing and Quality Assurance | 772,300 | 4,166,300 | 3,958,790 |
| Revenue - Provincial | (1,707,000) | (1,707,000) | (988,661) |
| Compliance and Enforcement | 626,200 | 593,200 | 555,834 |
| Fisheries Innovation and Development | 3,094,600 | 2,894,600 | 2,819,672 |
| Fisheries Development Subtotal | 8,046,600 | 11,226,600 | 8,439,357 |
| AQUACULTURE DEVELOPMENT | | | |
| Aquaculture Administration and Support Services | 5,709,300 | 4,069,300 | 3,869,320 |
| Revenue - Provincial | - | - | (44) |
| Aquaculture Capital Equity Investment | 6,250,000 | 6,250,000 | 1,000,000 |
| Revenue - Federal | (3,800,000) | (3,800,000) | - |
| Aquaculture Development Subtotal | 8,159,300 | 6,519,300 | 4,869,276 |
| Department Total | 27,196,900 | 27,196,900 | 19,151,762 |

* Source Document: The Report on Program Expenditures and Revenue of the Consolidated Revenue Fund for Fiscal Year ended 31 March 2010.

**\$3,075,000 of revenue received under Regional Services relates to a one-time contribution by Transport Canada towards the construction of a new wharf in Milltown and the refurbishment of the wharf in St. Alban's that the province took over from the federal government under the Ports Divestiture Program. The work is expected to commence in fiscal year 2011-12. No further revenue is anticipated.

Note: Audited financial statements are not required for the Department of Fisheries and Aquaculture.

Shared Commitments

▼ CENTRE FOR AQUACULTURE HEALTH AND DEVELOPMENT

In 2009-10, in cooperation with TW and the St. Alban's municipal council, work began on the new \$7.2 million CAHD in St. Alban's. A biosecurity specialist was engaged by DFA to ensure the facility meets International Standards Organization and Canadian Food Inspection Agency (CFIA) accreditation standards. This new facility will enhance the sustainability of the provincial aquaculture industry through an increased focus on biosecurity and aquatic animal health, while increasing its competitiveness and attracting further investment.



From left to right: The Honourable Peter MacKay, Minister of National Defence, and the Honourable Clyde Jackman, Minister of Fisheries and Aquaculture, in discussion at the International Boston Seafood Show 2010.

Throughout 2009-10, the Department of Fisheries and Aquaculture partnered with other governmental bodies, including those at the municipal, provincial, federal and international levels, as it worked to accomplish the goals set out in its 2008-11 Strategic Plan. Industry stakeholders and academic institutions were invaluable participants in initiatives undertaken to address the department's strategic goals. The department would like to thank all those individuals and groups with whom it pursued these collaborative endeavours.

#1 Expansion of the Province's Aquaculture Industry:

DFA worked with the Department of Transportation and Works (TW) to implement the construction of wharves in the Coast of Bays region (Hermitage, Pool's Cove, Belleoram and Harbour Breton). TW provided input into the tendering and planning processes while DFA provided the funding. This initiative is part of the province's efforts to enhance the biosecurity of the aquaculture industry in the province.

DFA partnered with the federal government in supporting a new aquaculture venture operated by Gray Aqua Farms Limited. With the support of DFA, Fisheries and Oceans Canada (DFO) and Atlantic Canada Opportunities Agency (ACOA), Cooke Aquaculture commenced operations at its cod demonstration farm in the Coast of Bays region in May 2009.



*Northern Harvest Sea Farms,
Broad Cove, Newfoundland
and Labrador.*

MUSSEL MARKETING

In support of research and development projects aimed at enhancing technology in the area of aquaculture, DFA provided partial funding, under the provincial Aquaculture Strategic Development Program, toward a project for the early commercialization of submersible aquaculture gear to avoid arctic ice. This technology is designed to enable development of deep water mussel aquaculture in the province. This project was carried out by Norlantic Processors Ltd. of Winterton.

DFA also partnered with the Newfoundland and Labrador Aquaculture Industry Association (NAIA) and the Marine Institute (MI), along with other industry stakeholders, to develop and offer training to local finfish and shellfish aquaculturists in the Coast of Bays/Green Bay regions.

Increased biosecurity, new aquaculture operations, research and development, and training each served to support the department's strategic direction to enhance the sustainability of the province's aquaculture industry.

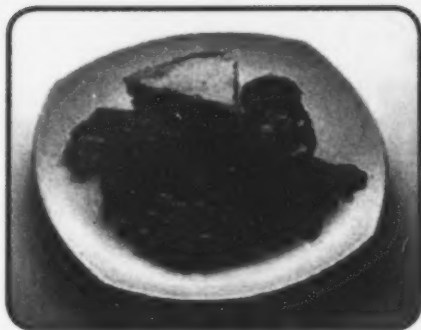
#2 Sustainable Management of the Aquaculture Industry:

The department is a member of the Canadian Council of Fisheries and Aquaculture Ministers (CCFAM) and the Atlantic Council of Fisheries and Aquaculture Ministers (ACFAM). These councils are comprised of ministers from the federal, provincial and territorial governments. They meet regularly to address numerous issues, including fish health, the Canadian Shellfish Sanitation Program (CSSP), eco-certification, aquaculture governance and the development of sustainable management frameworks for the aquaculture sector.

The department's Aquaculture Sustainable Management Framework (ASMF) is designed to enhance the sustainability of the provincial aquaculture industry. There are multiple programs and planning initiatives within the scope of

During the 2009-10 fiscal year, the department provided funding to the Mussel Industry Council (MIC) to enhance consumer awareness of and demand for mussels. Mussel processors and associations from the four Atlantic provinces and Quebec sit on the council. The MIC's mandate is the generic promotion of Canadian mussels. The department also hired a consulting firm to evaluate the current status of the mussel industry and buyers' perception of Newfoundland and Labrador mussels in the marketplace. The department will work with industry to review the results of this study and take action where warranted.





◀ SEAL MARKETING

Throughout the fiscal year, the department provided developmental support to the sealing industry. DFA contributed funding for the Canadian Seal Marketing Group's project to develop new seal garments. Two of the three companies involved in this work were NL companies. DFA committed \$100,000 to this project. The Governments of Canada, Nunavut and Norway, and the sealing companies within the marketing group, also provided funding for this project. The Canadian Seal Marketing Group participated in fur trade/fashion shows in Beijing and Hong Kong. The response was positive and also generated many inquiries about seal meat products.

the framework, and DFA has sought and will continue to seek input from government and industry stakeholders to develop these initiatives. For example, the DFA initiative, Objective-based Guidance to Environmental Management Planning, has been informed by stakeholders such as NAIA, individual growers, the Department of Environment and Conservation (EC), Environment Canada, DFO, and Transport Canada (TC). Communication and surveillance of aquatic invasive species is done in cooperation with NAIA, individual growers and DFO. The Atlantic Canada MOU on Aquaculture Development was developed in partnership with the Maritime provinces, Nova Scotia, New Brunswick and Prince Edward Island. The department's involvement in CCFAM and

ACFAM and its work on the ASMF are but two examples of departmental activities that support its strategic direction to enhance the sustainability of the aquaculture industry.

▼ TRADE

While not a negotiating party on trade issues, DFA has worked closely with the IGAS and the Department of Innovation, Trade and Rural Development (INTRD) among others, to ensure its interests are represented and protected at the international level.

There were positive developments in 2009-10 in the area of trade. They included the renewal of the EU Autonomous Tariff Rate Quota (ATRQ) for the period 2010-12. The ATRQ allows a specific quota of product, such as shrimp, to enter the EU market at a reduced rate. The renewed ATRQ for cooked and peeled shrimp, effective January 1, 2010, reduced the tariff from six percent to no tariff on the first 20,000 tonnes. In addition, the ATRQ added yellowtail flounder into the flatfish category, which has a 10,000 tonne quota at no tariff. The department will continue to work towards the elimination of tariffs on all fish products entering the EU.

3 Fishery and Aquaculture matters falling under Federal Jurisdiction:

The department has worked with partners at the local, national and international levels of government to enhance the province's position on fishery and aquaculture matters that fall under federal jurisdiction, a strategic direction of government. The following are examples of this work.

DFA chairs the Provincial Coastal and Ocean Network (PCON), working with 11 other provincial departments with interests in coastal and ocean areas. Throughout the year, the department worked with these departments, particularly EC, as well as regional coastal management committees and DFO counterparts, to draft a provincial coastal and ocean management strategy and policy framework.

The department also consulted with the Intergovernmental Affairs Secretariat (IGAS) to bring forward its views to the federal government on proposed amendments to the Northwest Atlantic Fisheries Organization (NAFO) convention.

To address tariffs and other trade barriers faced by the province's seafood industry, DFA worked in partnership with other government

NEWFOUNDLAND AND LABRADOR SEAFOOD



L- R: Jennifer Walsh - DFA, Anastasia Sivkovich - translator, Brian McNamara - Newfoundland Resources, Joanne Gibbons - OCI L.P., Fraser Baikie - Killick Fisheries, Kristjan Kristjansson - OCI L.P., Chris Smith - OCI L.P., Pat McDonald - DFA, and Daria Svetlanova - translator, at the Newfoundland and Labrador Booth at the World Food Moscow trade event.

departments and provinces. The department's aim is the complete elimination of seafood tariffs.

DFA participated with officials from DFO, the other Atlantic provinces and Quebec, along with industry representatives, on a number of fisheries advisory committees related to adjacent fish stocks. We provided advice to DFO on the management and development of these fisheries.

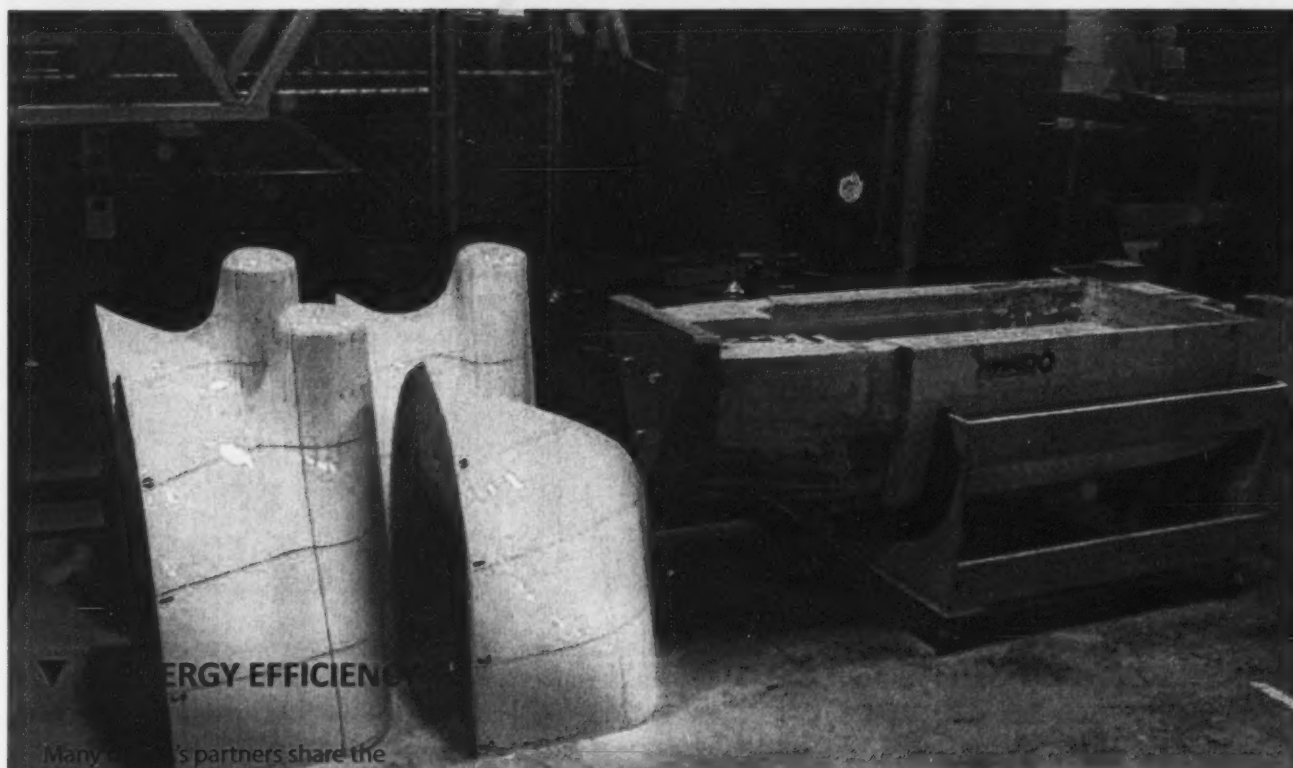
As a member of CCFAM and ACFAM, the department has also been instrumental in cooperative efforts to enhance the province's position on all relevant fishery and aquaculture matters falling under federal jurisdiction, particularly as they pertain to trade, the seal hunt, overfishing and quotas.

#4 Enhancing the Value of the Fishing and Aquaculture Industries:

Throughout 2009-10, DFA collaborated with industry stakeholders to support fisheries innovation and pursue quality and market enhancement initiatives with respect to the province's seafood products. DFA's relationship with, and financial support of, institutions such as the Canadian Centre for Fisheries Innovation (CCFI) is one such example.

DFA also forged partnerships directly with the fishing and aquaculture industries. For instance, the department supported the development

DFA continued to work with the Newfoundland and Labrador seafood industry to increase market awareness and acceptance of a wide variety of provincial seafood products in global markets. In 2009-10, a key activity was the organization of trade shows and missions. DFA exhibited at the International Boston Seafood Show, World Food Moscow, China Fisheries and Seafood Expo 2009 and the European Seafood Exposition. The department also provided funding assistance for industry representatives who attended the China Fisheries and Seafood Expo 2009 and World Food Moscow. This work supported the department's efforts to strengthen the role of the fishing industry as a key pillar of sustainable economic growth within the province.



ENERGY EFFICIENCY

Many of DFA's partners share the department's interest in improving efficiency in the fisheries sector. Such partners include the CCFI, the FFAW, ASP, Memorial University, MI, the NRC, DFO and EC. One example of a project to increase industry efficiency was an in-depth operational efficiency and energy audit of the Newfoundland and Labrador inshore fishery. The audit led to the production of a series of fact sheets to reduce fish harvesters' fuel consumption and costs. Projects such as this contribute to strengthening the role of the fishing industry as a key pillar of sustainable economic growth within the province.

Above and below: DFA supports the development and testing of energy efficient bow designs.

and promotion of high quality shrimp products, helped develop new seal products, and assisted industry with the marketing of mussels and lobster. DFA also worked to develop markets for cod and yellowtail. Examples of other collaborative projects include work with MI's Centre for Aquaculture and Seafood Development (CAS-D) to install and test new equipment for use in the whelk fishery, and with industry partners to carry out crab product and market development.

Through collaboration with fishing industry stakeholders on projects such as these, the department met its commitment to strengthen the role of the fishing industry as a key pillar of sustainable growth within the province, a strategic direction of government.

#5 Fishing Industry Renewal:

DFA worked with key parties to implement initiatives under the FIR strategy, including: INTRD, Municipal Affairs (MA), EC, Human Resources, Labour and Employment (HRLE), DFO, CCFI, the FFAW, ASP, the National Research Council (NRC), National Science and Engineering Research Council (NSERC), Memorial University and MI.

DFA collaboration with the Professional Fish Harvesters Certification Board (PFHCB), Canadian Council of Professional Fish Harvesters (CCPFH), the Workplace Health, Safety and Compensation Commission (WHSCC), CCFI, Memorial University, the MI School of Fisheries, Distance Education Learning Technologies (DELT) and other partners on the development of





a fisheries safety video and a stability e-simulator continued throughout the fiscal year.

The department also worked with MA, INTRD and HRLE under the Fish Plant Worker Employment Support Program and the Integrated Transition Strategy for Displaced Plant Workers, to meet the workforce adjustment needs of plant workers.

On July 11, 2009, the provincial government signed an MOU with the FFAW and ASP. The MOU is intended to address the issues identified under FIR in a more aggressive manner. Each of these initiatives supported departmental efforts to strengthen the role of the fishing industry as a key pillar of sustainable growth within the province, a strategic direction of government.

Below: Plant workers for Icwater Seafoods Inc.



▼ LOBSTER SUSTAINABILITY

In 2009-10, DFA provided the FFAW with \$14,000 to assist in the preparation of a proposal for a Sustainability and Restructuring Plan for the provincial lobster industry. The Plan was submitted to the federal government for funding under the Atlantic Lobster Sustainability Measures Initiative. It was also submitted to the provincial government.

DFA provided a total of \$50,000 in funding to assist with the formation of the Lobster Council of Canada. Funding was also provided by the other Atlantic provinces, Quebec and the federal government.

Each of these initiatives served to strengthen the role of the fishing industry as a key pillar of sustainable economic growth within the province.

▼ CANADIAN CENTRE FOR FISHERIES INNOVATION

In 2009-10, DFA provided \$600,000 to CCFI for core and project funding. CCFI's planned activities fit well with a number of the department's strategic directions as set by the provincial government. These directions are as follows:

- establish enhanced capabilities at Memorial University that will provide scientific, technical and economic support for the sustainable development of the province's marine fisheries and aquaculture;
- ensure that the fishing industry remains a key pillar of sustainable economic development in the province; and
- continue to implement the Canada/Newfoundland and Labrador Cod Recovery Strategy.

STRATEGIC ISSUE 1

EXPANSION OF THE PROVINCE'S AQUACULTURE INDUSTRY

1 STRATEGIC ISSUE



Goal 1: By March 31, 2011, the Department of Fisheries and Aquaculture will have supported the expansion of the province's aquaculture industry.

Objective 2: By March 31, 2010, the Department of Fisheries and Aquaculture will have begun implementation of approaches to support the expansion of the aquaculture industry.

Measure: Begun implementation of approaches to support the expansion of the aquaculture industry.

Opening discussion

Throughout the fiscal year, DFA worked with industry and government partners to implement approaches to support the expansion of the provincial aquaculture industry. In 2009-10, work continued on the development of an Aquaculture Development Framework (ADF). The ADF outlines various initiatives being undertaken to expand the Newfoundland and Labrador aquaculture industry. While the drafting of the framework is a work in progress, the rapid growth of the aquaculture industry has necessitated the department proceeding on elements that form part of the framework. The framework document itself is expected to be finalized in the fall of 2010; however, it is intended to be a *living document* and will be updated and adjusted on an ongoing basis. The framework identifies four key development streams which are vital to industry expansion: infrastructure, salmonids, mussels and cod. Newfoundland and Labrador's aquaculture industry is progressive in its vision and the province has invested heavily in each of the four streams.

In 2009, the province's aquaculture industry reached record levels of production and market value at a time when many industries were negatively impacted by recessionary pressures. The 2009 market value increased to \$92 million, a rise of 45.9 percent over 2008. The increase in market value is attributable to a combination of higher production levels and strong market prices for salmonid products. Although the demand for cultured shellfish decreased in 2009, market prices were stable. Production of aquaculture species rose to 13,625 tonnes, an increase of 18 percent over 2008, again largely due to the significant growth in the salmonid sector.

During 2009-10, the department, in consultation with aquaculture operators, identified priority areas that may impede future growth within the sector and began to develop and implement strategic approaches to address these challenges. In working to increase infrastructure capacity, improve biosecurity protocols and conduct biological and market-based research, DFA has

partnered with government, industry and academic stakeholders to ensure the continued expansion of the aquaculture industry in Newfoundland and Labrador. Through this work, the department has contributed to the province's strategic direction to enhance the sustainability of the provincial aquaculture industry.

1.1.1 Begun implementation of approaches of the Aquaculture Development Framework: Infrastructure

Accomplishment

Throughout the fiscal year, the department worked on three infrastructure initiatives that fall within the context of the draft ADF: the construction of a new facility to improve fish health and develop support services, the construction of four new aquaculture-specific wharves, and the installation of wastewater treatment equipment in aquaculture processing plants. These initiatives will serve to improve infrastructure capacity for the aquaculture industry throughout the south coast region. Additionally, this work will help to ease the pressure on existing infrastructure that was created in part by the growth in the aquaculture industry.

- The Centre for Aquaculture Health and Development, located in St. Alban's, will be strategically positioned to service the south coast aquaculture industry. In 2009, the tender for construction of the facility was awarded to Brook Construction Inc. of Corner Brook. The site preparation work has been completed and the building is scheduled to open in 2011.
- To address marine aquaculture infrastructure issues in the region, the department hired a consultant to determine the infrastructure requirements of the salmonid sector in the Coast of Bays region. As a result of the report submitted by the consultant, four locations were recommended for aquaculture-specific wharf facilities. A decision was made to proceed with construction of wharves in Pool's Cove, Hermitage, Harbour Breton and Belleoram. Site surveying for the four wharves and evaluations of the design proposals were completed in 2009. Construction tenders were awarded for the Pool's Cove and Hermitage sites. Tenders are being prepared for the wharves in Harbour Breton and Belleoram and these will go out in the 2010-11 fiscal year.

The department also successfully negotiated the repatriation of both the St. Alban's and Milltown wharves from TC under the Ports Divestiture Program. These are two key infrastructure wharves which provide producers on the upper region of Bay d'Espoir access for fish landings and smolt delivery. The department was successful in obtaining \$3 million from TC for improvements and upgrades of these facilities.

- Wastewater treatment is a key infrastructure initiative aimed at reducing the risk of disease for both farmed and wild fish and thereby

STRATEGIC ISSUE 1

enhancing biosecurity. This initiative is vital to enhancing the sustainability of the provincial aquaculture industry. Three processors on the south coast began implementation of wastewater treatment in 2009-10. A wastewater system in Harbour Breton was completed and is operational, while the processing plant at St. Alban's began site preparation work to install a new wastewater treatment facility. The Hermitage plant's operators were also in the process of implementing a wastewater treatment system. The provincial government committed \$1.9 million towards the construction of this infrastructure in 2008-09, and \$600,000 was expended to support these initiatives in 2009-10.

1.1.2 Begun implementation of approaches of the Aquaculture Development Framework: Salmonids

Accomplishment

Throughout 2009-10, the department began work on initiatives that will form part of the draft ADF with respect to salmonids. The department identified six main areas to be addressed to guide expansion of the salmonid aquaculture industry. These areas are: investment, sustainable management, infrastructure, human resources, communications and collaboration. During the 2009-10 fiscal year, the department began implementing initiatives that focus on investment, sustainable management, infrastructure and collaboration.

- From an investment perspective, the department provided support in May 2009 to the Gray Aquaculture Group to establish an aquaculture operation in the Coast of Bays region. The provincial government provided a loan guarantee of \$6.8 million under the Aquaculture Working Capital Loan Guarantee Initiative and an equity investment of \$1 million under the Aquaculture Capital Equity Investment Program. The new operation provides for 35 permanent jobs and 40 person years in processing employment.
- Biosecurity, an element of sustainable management, is crucial to enhancing the sustainability of the provincial aquaculture industry. Obtaining smolt from out-of-province sources decreases biosecurity. In-province smolt and fingerling production have been identified as priorities for the industry. The department, in partnership with industry, worked towards establishing hatchery facilities within the province and prioritized licensing applications to accommodate stocking plans. The province worked with Cooke Aquaculture Inc. in the development of a salmon hatchery facility in St. Alban's.

Both the department and industry recognize the need to enhance biosecurity through the establishment of aquaculture bay management areas (BMAs). During 2009-10, the department began preliminary committee work with industry aimed at establishing these areas. To assist in this process, the department, in collaboration with DFO, participated in oceanographic data collection. It is anticipated that this data collection will take several years.

- The Centre for Aquaculture Health and Development, scheduled to open in 2011, and the construction of four new wharves will provide needed infrastructure for the salmonid sector and will allow for further development of the sector.

Expansion is planned for aquaculture sites in Hermitage Bay and Connaigre Bay. In 2009, the placement of juvenile salmonids increased by 26 percent over 2008.

- In regards to collaboration, CCFAM deputy ministers tasked an assistant deputy ministers' Ad Hoc Committee to bring forward recommendations on a longer-term structure for aquaculture governance. As a result, a new ADM-Level Strategic Management Committee (SMC) on Aquaculture was formed.
- The SMC's mandate is to provide leadership and strategic advice at a decision-making level in order to facilitate the development and implementation of coordinated federal, provincial and territorial policies, regulations and programs in support of the Canadian aquaculture industry. DFA's participation in the SMC aids in interjurisdictional cooperation on aquaculture issues and also provides a vital forum for federal collaboration.

1.1.3 Begun implementation of approaches of the Aquaculture Development Framework: Mussels

Accomplishment

In 2009-10, the department began work on initiatives that will form part of the draft Aquaculture Development Framework with respect to mussels. Further work on the mussel portion of the ADF is ongoing and will address investment, sustainable management, infrastructure, human resources and communications. A draft copy of a mussel-specific development plan, under the ADF, is near completion. During the fiscal year, the department focused on the following investment, sustainable management and human resource activities in relation to the mussel sector:

- Investment will allow for expansion of production within the industry. The province and the federal government provided funding for early commercialization of submersible technology that will enable development of deep water mussel aquaculture in areas in the province exposed to arctic ice. The development of open water sites will allow the industry to grow beyond its current levels of production and provide the opportunity to expand into new markets.

Additional investment through the Aquaculture Strategic Development Program provided financial support for five mussel-related projects in 2009-10. To date, four of the five projects are completed. In addition, the department, through a request from NAIA, provided \$250,000 in grant funding to help mussel growers carry 2009 marketable product into 2010.

- In relation to sustainable management, the department, in partnership with local industry and DFO, began a carrying capacity study in the Green Bay, Notre Dame Bay region in the 2008-09 fiscal year. Data collection was undertaken in 2009-10 and is scheduled to continue into 2010-11. A final report is expected to be available in 2012. This information will assist the department in determining the optimal level of mussel production for the region.

STRATEGIC ISSUE 1

- A major challenge to the mussel sector is the development of new markets that would enable sector expansion. This issue is tied to both investment and sustainable management. In January 2010, the department commissioned GSGislason & Associates Ltd. of Vancouver, BC, to conduct a mussel market study. The objectives of the study include profiling current markets, identifying new opportunities, determining awareness and perception of Newfoundland and Labrador mussels, comparing the province's mussel industry to other jurisdictions, analysing market potential and identifying market initiatives. This study is ongoing, with completion expected in 2010. The findings and recommendations of the mussel marketing study will inform a mussel-specific development plan.

In addition, the department worked with the MIC to enhance consumer awareness of and demand for mussels. Mussel processors and associations from the four Atlantic provinces and Quebec sit on the council. The MIC, established in 2009, will endeavour to generically promote Atlantic Canadian mussels in the North American marketplace. The council is supported by the five eastern provincial governments and the federal government through ACOA.

- With respect to human resource development for the aquaculture industry, NAIA, with financial support from the department, launched professional development training for local finfish and shellfish aquaculturists. The training, delivered by the MI, will cover labour issues, safety, workforce skill development and opportunities for expansion. It is anticipated there will be 30 sessions over a three-year period.

1.1.4 Begun implementation of approaches of the Aquaculture Development Framework: Cod

Accomplishment

Throughout the fiscal year, the department worked on initiatives that will form part of the draft ADF with respect to cod. Work on the cod portion of the ADF is ongoing and will mainly address investment and infrastructure. Unlike the other priority species identified under the ADF, the commercial viability of Atlantic cod in NL has yet to be established. The focus for the 2009-10 fiscal year was primarily on investment and infrastructure initiatives.

- As envisioned under the ADF, cod aquaculture has moved from the seasonal growout of wild cod to the full-cycle culture of hatchery-reared cod. In 2008-09, the department facilitated the development of an Atlantic cod demonstration farm in the Coast of Bays region. Cooke Aquaculture, the industry partner, commenced operation of the cod demonstration farm in the 2009-10 fiscal year. This project was funded by DFA, DFO and ACOA.

This large-scale operation endeavours to demonstrate the commercial viability of Atlantic cod aquaculture in NL by growing commercial quantities of Atlantic cod to market size. The project will monitor and assess the technical performance and the market response for this species.

In the first year of operation, the nursery facility at Belleoram was established, the sea cage growout site was established, cod fingerlings were stocked in sea cages for growout and husbandry, and monitoring programs were put in place to monitor the performance of the fish.

- Ongoing management of the cod demonstration farm was supported through advisory and technical steering committees with representatives from the department, other public agencies and industry.

Discussion of Results

In 2009-10, the department began the implementation of approaches to support the expansion of the aquaculture industry. In accordance with our commitment for 2009-10 under our 2008-11 Strategic Plan, and as envisioned under the ADF, the department invested in the expansion of the aquaculture industry, with significant spending on infrastructure, salmonids, mussels and Atlantic cod. These investments will help to ensure a long-term sustainable aquaculture industry, both economically and environmentally.

With respect to infrastructure, the department focused on preparatory work for the CAHD, the construction of aquaculture specific wharves and the implementation of wastewater treatment capabilities in processing plants. The CAHD will enable expanded diagnostic testing capabilities to promote optimal fish health. This new state-of-the-art facility will service the Atlantic salmon, steelhead trout and Atlantic cod aquaculture sectors. Shellfish diagnostic operations will continue to be provided in Grand Falls-Windsor and St. John's. The CAHD will support continued expansion of the province's growing aquaculture industry and enhance our competitiveness in attracting investment. Continued investment in infrastructure will help position industry and the province as global leaders in aquaculture.

The department provided financial support for the establishment of a salmon aquaculture operation in the Coast of Bays region. In support of the sustainable management of the salmonid sector, the department worked with an industry partner in the development of a salmon hatchery on the south coast. The department also worked with industry and DFO in the preparatory work for the establishment of BMAs.

DFA worked throughout the year to support the expansion of the mussel industry. Most of the sheltered sites suitable for mussel culture on the northeast coast are currently licensed; therefore, in the future, new sites may have to be located in more exposed areas. To enable development of deep water mussel aquaculture in areas in NL exposed to arctic ice, both the provincial and federal governments provided funding for early commercialization of submersible technology for aquaculture operations. Open water sites will allow industry expansion and new market opportunities. The department also provided financial support for professional development training for local aquaculturists.

The department also worked to ensure the set-up of a commercial-scale Atlantic cod demonstration farm on the south coast of Newfoundland and Labrador. The department has a strong interest in the potential for a cod aquaculture industry in the province.

Through its work in supporting the expansion of the province's aquaculture industry, the department contributed to the province's strategic direction to enhance the sustainability of the province's aquaculture sector.

STRATEGIC ISSUE 1

Commitment for 2010-2011

Objective 3: By March 31, 2011, the Department of Fisheries and Aquaculture will have supported the expansion of the aquaculture industry.

Measure: Supported the expansion of the aquaculture industry.

Indicators:

1. Continued the implementation of approaches of the Aquaculture Development Framework:

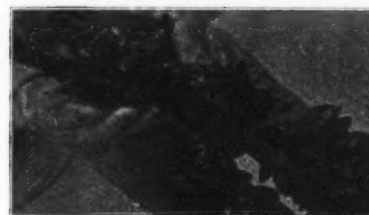
- Infrastructure
- Salmonids
- Mussels
- Cod

STRATEGIC ISSUE 2

SUSTAINABLE MANAGEMENT OF THE AQUACULTURE INDUSTRY

2

STRATEGIC ISSUE



Goal 2: By March 31, 2011, the Department of Fisheries and Aquaculture will have implemented a sustainable management framework for the aquaculture sector.

Objective 2: By March 31, 2010, the Department of Fisheries and Aquaculture will have completed development of a sustainable management framework for the aquaculture sector.

Measure: Completed development of a sustainable management framework for the aquaculture sector.

Indicator: Development of a sustainable management framework completed.

Opening Discussion

The development of an economically feasible and environmentally sustainable framework for the aquaculture industry will preserve and enhance the sector over the long term. Sustainable management will minimize effects on the environment and improve fish health; it will ensure that biosecurity is integrated throughout all aspects of the aquaculture sector.

As stated in our 2008-11 Strategic Plan, "sustainable management of the aquaculture industry is grounded in the development of policies aimed at preventing and mitigating diseases, pests, contamination, escapement, and other environmental threats such as aquatic invasive species that may harm the fish product, environment or public health." The Aquaculture Sustainable Management Framework (ASMF) will ensure the department's management of aquaculture is aligned with the values and principles of this statement and will support the strategic direction of the provincial government to enhance the sustainability of the provincial aquaculture industry.

The framework, undergoing internal review, will outline the guiding principles the department has adopted for the sustainable governance of aquaculture. The document itself is considered to be a *living document*. The expectation is that new programs and initiatives, as well as adaptations of existing ones, will be directed by the guiding principles laid out by the ASMF. From an application perspective, policy and planning is continually evolving, attempting to anticipate the future and reacting to unforeseen

issues and opportunities. The department is committed to working in partnership with industry to achieve a long-term viable aquaculture industry. The framework is one vehicle through which this strategic direction will be pursued.

2.1 Development of a sustainable management framework completed

Accomplishment

The department has partially met its commitment in relation to this indicator. The complexity of the issues covered under the ASMF, the time required to research, evaluate and identify best practices, meet with other provincial departments and counterparts, as well as interested parties, hold workshops for consultation, and provide time for all stakeholders to communicate their response took longer than was anticipated. The department anticipates the ASMF will be completed within the upcoming fiscal year.

During the 2009-10 fiscal year, the department continued to work on the development of an ASMF for the province's aquaculture industry. The framework, comprised of multiple programs and planning initiatives, outlines those programs and services the department offers to ensure the industry is managed in a sustainable manner. Examples include establishing environmental plan guides for industry, working towards establishing area management plans, routine maintenance and updating of the code of containment, and collecting field samples and environmental data for a carrying capacity study. Further, the framework document is a compilation of information, procedures and guidelines which includes a discussion of relevant legislation and regulations governing aquaculture, aquaculture industry support programs, inspection and auditing programs, area management planning and financial support programs.

Following is a summary of work that was undertaken during the fiscal year related to the development of the framework:

- The framework's development has led to the investigation and identification of a number of challenges to sustainability and the identification of best practices and guidelines with the potential to address these challenges.

Throughout 2009-10, initiatives were undertaken to address some of these challenges. One such example is the issue of biofoul management. Nets used in aquaculture operations require regular washing to remove fouling organisms and protect the health of stock. Currently, washing is performed in the marine environment. Land-based cleaning is the accepted best management practice and is practiced in other jurisdictions, in Canada and globally.

The department provided support for the future development of an on-land net washing facility to serve the aquaculture industry. A DFA representative, along with industry representatives, visited Norway to explore technologies and practices used by its aquaculture industry in land-based net washing.

- Another important component of the framework is area management planning. Area management planning is essential to the sustainability of the aquaculture industry. BMAs and production-based regions (PBRs) are two examples of approaches to area management planning. These approaches represent an integrated approach to husbandry issues, increasing production efficiency by optimizing conditions within the area through comprehensive management.

The department has established a project team to study the development of both these types of management options. Industry has also been engaged to provide input. The establishment of BMAs is expected to take several years because it requires extensive and lengthy oceanographic data collection in the planning stages. During 2009-10, the provincial and federal governments met to finalize their joint approach to the oceanographic data collection process which commenced in June 2009. Without oceanography data and current modeling to inform the development of BMAs, the department recommends PBRs be instituted to lead into BMAs as it will take a number of years to collect the necessary information.

A series of meetings with the project team was undertaken throughout the year. The project team consists of representatives from the department, other provincial departments and federal counterparts. Feedback from the meetings was used to further refine the framework.

- In order to establish environmental management planning guides for industry, a component of the ASMF, the department held three industry workshops for consultation and review of the Guide to Environmental Management Plan (GEMP) discussion document. The department assessed and reviewed all information received from interested parties. Feedback, as relevant, was incorporated within the framework.

Discussion of results

The ASMF will provide an understanding of the policy direction, planning and programs of the Department of Fisheries and Aquaculture. This document will improve transparency to all stakeholders and will showcase the department's current aquaculture policy direction and programs respecting sustainable management. Key elements of the ASMF document include discussions of risk-based decision making, procedural and regulatory harmonization, aquaculture financial support programs, inspection and auditing, industry support programs and area management planning.

The ASMF is intended to provide the reader with a clear understanding of the scope of the Department of Fisheries and Aquaculture's policy, direction, programs and planning, partnerships and communications, and how they are applied to achieve sustainable management of the Newfoundland and Labrador aquaculture sector.

Though the document awaits final approval, the guiding principles of sustainability are imbedded within it and reflect departmental policies and programs in 2009-10.



Aquaculture in St. Alban's

STRATEGIC ISSUE 2

Commitment for 2010-2011

Objective 3: By March 31, 2011, the Department of Fisheries and Aquaculture will have implemented a sustainable management framework for the aquaculture sector.

Measure: Implemented a sustainable management framework for the aquaculture sector.

Indicators:

2.1 Development of Sustainable Management Framework completed.

2.2 Implemented the Sustainable Management Framework.

STRATEGIC ISSUE 3

THE PROVINCE'S POSITION
ON FISHERY AND
AQUACULTURE MATTERS
FALLING UNDER FEDERAL
JURISDICTION

3

STRATEGIC ISSUE



Goal 3: By March 31, 2011, the Department of Fisheries and Aquaculture will have demonstrated a leadership role in relation to federal policy pertaining to marine fisheries, aquaculture, trade and coastal and ocean management.

Objective 2: By March 31, 2010, the Department of Fisheries and Aquaculture will have reviewed its federal/provincial relationship and adjusted its approach as appropriate.

Measure: Reviewed its federal/provincial relationship and adjusted its approach as appropriate.

Opening discussion

The Department of Fisheries and Aquaculture has been identified as the lead provincial department on developing and coordinating a Coastal and Ocean Management Strategy and Policy Framework. Coastal and ocean issues, however, are a shared responsibility. Coastal and ocean areas are protected and governed by all levels of government. The strategy is intended to provide overarching guidance to sustainable coastal and ocean management and resource use in water adjacent to the province.

For the seafood industry to thrive in Newfoundland and Labrador, it is essential the province ensure that the federal government is aware of the province's position on those matters relating to marine fisheries, aquaculture, trade and coastal and ocean policies falling under federal jurisdiction. It is equally important that the provincial government clearly articulates the impact of federal policy on the province's seafood sector and advocates for decisions favourable to the province. It is a strategic direction of government to enhance the province's position on matters falling under federal jurisdiction relating to the fishing and aquaculture industries.

As mentioned in Strategic Issue 1, the newly formed Strategic Management Committee's mandate is to provide leadership and strategic advice at a decision-making level in order to facilitate the development and implementation of coordinated federal, provincial and territorial policies, regulations and programs in support of the Canadian aquaculture sector. The department's participation in the SMC not only aids in interjurisdictional cooperation on aquaculture issues, but provides a vital forum for

federal collaboration. As a member of this committee, the department has the opportunity to further advance, enhance and protect the aquaculture interests of the province.

3.1 Developed a provincial coastal and ocean management strategy and policy framework

Accomplishment

The department made significant progress toward meeting its commitment to develop a provincial and ocean management strategy and policy framework. A discussion paper has been developed which outlines the provincial government's vision to become more engaged in the management of the province's coastal and ocean areas and resources. Due to the interdepartmental nature of the coastal issues identified in the discussion paper, more time was required for provincial departments to complete their review than was originally anticipated. Emerging issues also required additional discussions to ensure the paper was up to date and relevant. As a result, the department was not able to complete the development of a coastal and ocean management strategy and policy framework in 2009-10, though this continues to be a priority.

The discussion paper is critical to the provincial coastal and ocean management strategy development process, and its purpose is to engage public feedback on the proposed approach, which will be used in developing the final strategy. The department believes that better management of our coastal and ocean resources is best achieved with the involvement of local stakeholders.

Release of the discussion paper is expected in the first half of 2010. The resulting feedback will be used in drafting the final strategy and policy framework. The department expects to complete the coastal and ocean management strategy by the end of the 2010-11 fiscal year.

3.2.1 Reviewed positions and/or decisions of federal government in relation to provincial positions and/or input and adjusted our approach as appropriate regarding: WTO and EU negotiations

Accomplishment

In 2009-10, World Trade Organization (WTO) negotiations stalled. The department was unable to proceed with its work until text related to fisheries subsidies, anti-dumping and tariff elimination was released by the WTO. By the end of the fiscal year, the text still had not been released.

Throughout the year, DFA monitored Canada-EU negotiations and analysed activity around WTO and EU negotiations, made a determination of what would be in the province's best interest, reviewed the federal position and determined how best to advance the province's position with the federal government. Following are examples of this process:

- While not a participant in the Canada-EU negotiations, the department monitored the negotiations and provided full representation on fisheries related issues of importance to the province.
- On May 5, 2009, the European Parliament voted to endorse a bill banning the import of seal products, with an exemption for hunts traditionally conducted by Inuit and other indigenous communities. On July 27, 2009, the Council of the EU voted to ratify the ban. The department, on considering the effect of this decision on the province's sealing industry, once again decided to take a more proactive approach by pressing the federal government to take the EU to WTO consultations and asserting the ban contravenes WTO agreements. In November 2009, Canada requested WTO consultations with the EU concerning its ban on the trade in seal products.

3.2.2 Reviewed positions and/or decisions of federal government in relation to provincial positions and/or input and adjusted our approach as appropriate regarding: NAFO Reform

Accomplishment

Throughout the fiscal year, the department monitored and analysed activity around NAFO reform, made a determination of what would be in the province's best interest, reviewed the federal position and determined how best to advance the province's position with the federal government. Following is a description of the work the province completed in this regard:

- Provincial representatives were present during the NAFO meetings as a member of the Canadian delegation. After a careful analysis of the proposed reforms and consideration of their potential effect on the province's fishery, the department felt it would not be in the best interests of the fishery to support the amendments. Proposed amendments to the NAFO Convention had the potential to reduce Canadian authority over fishing inside our 200 mile Exclusive Economic Zone.

The department determined that the proposed NAFO reforms, which the federal government supported, called for persuasive action on the part of the department to effect a change in the position of the federal government. Letters from Minister Clyde Jackman to Minister Gail Shea, and from Premier Danny Williams to Prime Minister Stephen Harper, clearly indicated the province's opposition to these amendments. Minister Tom Hedderson appeared before the Senate's Standing Committee on Fisheries and Oceans in October 2009 to outline

the province's concerns. He asked that the committee recommend that Canada 1) not ratify the amended NAFO Convention, and 2) pursue custodial management of the straddling fish stocks adjacent to our shores.

The House of Commons voted to reject the NAFO amendments on December 9, 2010, but the federal government quickly moved to ratify the amendments on the same day. While our efforts contributed to convincing the Parliament of Canada to reject the amendments, the final decision of the Government of Canada ignored the recommendations of both the Parliament of Canada and the Government of Newfoundland and Labrador.

3.2.3 Reviewed positions and/or decisions of federal government in relation to provincial positions and/or input and adjusted our approach as appropriate regarding: Outcomes favorable to the province

Accomplishment

The department reviewed its approach in respect to trade intelligence and trade relations, international trade agreements, international trade regulations and acts, C-Trade, agreements on international trade and management of the various fisheries.

- A decision was made to increase the breadth and depth of DFA's monitoring of activities associated with these issues. To assist in this process, the department hired temporary staff.
- The department was very proactive in monitoring activity related to each of these issues, evaluating the potential impact on the province's seafood sector and putting forth its concerns, positions and desired outcomes to the federal government. Throughout the fiscal year, the department ramped up its scrutiny of these issues through extensive research and monitoring, meetings, attendance at conferences and trade shows, the preparation of trade profiles, conference calls, analysis, assessment of implications for the province, discussions with stakeholders and verbal and written presentations of positions and concerns to the federal government.
- With respect to management of the various fisheries falling under federal jurisdiction, responses are dictated by the seriousness of the issue and typically involved communication from the provincial Minister of Fisheries and Aquaculture to his federal counterpart or a request to meet with the federal minister. For example, in the 2009-10 fiscal year, DFA's Minister wrote Minister Gail Shea to express the province's disagreement with federal decisions on the management of various fisheries. Representatives of the department attended the various advisory committee meetings and consultations, engaged in working groups and scientific assessments, attended Committee on the Status of Endangered Wildlife in Canada (COSEWIC), *Species at Risk Act* (SARA), CCFAM and ACFAM meetings and conferences, and participated in working

STRATEGIC ISSUE 3

groups and conference calls. As issues were identified, they were analysed to determine the potential impact on the province's fishery and the response required, if any.

The department is satisfied with its approach in bringing forward its position to the federal government.

3.2.4 Reviewed positions and/or decisions of federal government in relation to provincial positions and/or input and adjusted our approach as appropriate regarding: Promotion of aquaculture priorities for funding

Accomplishment

There is little opportunity for the department to review and adjust its approach in relation to the promotion of aquaculture projects for federal funding because of the process the federal government has in place in regard to funding aquaculture projects; therefore, the department was able to only partially fulfill this commitment. However, within the process, the department is proactive in advancing those projects that fall within the province's strategic priorities for aquaculture and invests heavily in the province's aquaculture industry. In addition, under the newly formed Strategic Management Committee, a federal, provincial and territorial assistant deputy ministers' Ad Hoc Committee under CCFAM, the department has the opportunity to further advance, enhance and protect the aquaculture interests of the province. It is within this newly formed committee that the department will have an opportunity to press for additional monies to fund aquaculture priorities.

During the 2009-10 fiscal year, the department considered the federal government's proposed changes to funding for aquaculture priorities and responded as follows:

- The federal funding process for aquaculture projects was undergoing revisions in 2009-10. On reviewing the proposed revisions, the department provided feedback on this initiative through the federal government consultation process in May 2009.
- Funding for aquaculture projects is accomplished through the Aquaculture Innovation and Market Access Program (AIMAP), as well as the Aquaculture Collaborative Research and Development Program (ACRDP) and ACOA's Business Development Program (BDP). In the spring of 2009, the federal government began development of the National Aquaculture Strategic Action Plan Initiative (NASAPI). This strategy was intended to identify strategic initiatives for the Canadian aquaculture industry and provides information to the AIMAP. Under NASAPI, priorities (action plans) were identified for each subsector. The department identified the province's aquaculture priorities for inclusion in the NASAPI. In this way, the department encouraged funding

of those aquaculture projects that are in line with the province's own strategic priorities for aquaculture.

- In January 2010, under CCFAM, steering committees were established and mandated to review subsector action plans. The department is represented on the steering committee and provided input into this review process. This again provided the department the opportunity to encourage funding of those aquaculture projects that are in line with its own strategic priorities for aquaculture. In the 2010-11 fiscal year, the action plans will be sent to CCFAM for approval by all federal, provincial and territorial deputy ministers.

Once the priorities of NASAPI have been finalized, AIMAP, on receipt of a project request for funding, will look to NASAPI to determine if the projects are in line with subsector priorities. The department is supportive of this approach and has worked with the federal government in the past, under a different model, to ensure its priorities were at the forefront of funding assessments. Under NASAPI, the province's priorities are clearly delineated and considered under the federal government funding process.

3.2.5 Reviewed positions and/or decisions of federal government in relation to provincial positions and/or input and adjusted our approach as appropriate regarding: Sealing Industry

Accomplishment

Because seal resource management falls under federal jurisdiction, the province must advocate its position to the federal government. The department continuously monitors sealing related activity worldwide and analyses the possible impact on the province's sealing industry. An analysis of how to address each issue considered the federal position, the success of past approaches to similar issues and, as appropriate, consultation with stakeholders and partners. The following are examples of sealing issues the department dealt with in 2009-10:

- A major focus in the 2009-10 fiscal year was the EU vote in favour of a ban on the importation of seal products into the EU market. Both the province and Canada were opposed to the ban. The province pressed the Government of Canada to initiate trade action under the WTO against the EU or any of its member countries which implemented seal product trade bans. In November 2009, Canada formally launched a dispute resolution process at the WTO on the EU seal product ban.

In regard to advocating for specific action on this issue by the federal government, the department continuously pressed the federal government to take WTO action on this issue. The department had representatives participate in delegations opposing the EU ban, published ads

STRATEGIC ISSUE 3

opposing the ban in a major EU parliamentary magazine, wrote letters, and worked with the seal industry to prevent the EU legislation from coming into force.

- The department participated in the newly formed CCFAM Deputy Ministers' Committee on Seals. This committee is mandated to coordinate an integrated approach on seal management and market development to help contribute to a sustainable sealing industry. This provided the department with an additional opportunity to support and advance the interests of the province's sealing industry to the federal government.
- Through the regional and Atlantic seal advisory process, the department successfully advocated its position on the federally announced development quota, and helped provide the Newfoundland and Labrador sealing industry an opportunity to access the quota.

Discussion of Results

In its 2008-11 Strategic Plan, the department committed to demonstrating a leadership role in relation to policy pertaining to such matters as fisheries, aquaculture, trade, coastal and ocean management and the seal harvest. Within the 2009-10 fiscal year, we have clearly demonstrated such leadership. The work completed under this obligation serves to enhance the province's position on fishery matters falling under federal jurisdiction, a strategic direction of government.

The department completed its work on the foundation document which will form the basis of the province's coastal and ocean management strategy and policy framework. The document will be released to solicit public input in 2010-11. Throughout the fiscal year, the department coordinated communications between provincial government departments and relevant federal government departments, which ensured the province was represented on emerging federal-led integrated ocean management initiatives.

The department, on an ongoing basis, reviewed federal positions and/or decisions related to WTO and EU negotiations; NAFO reform; outcomes favourable to the province; the promotion of aquaculture priorities for federal funding; and the sealing industry in comparison to the province's position, and adjusted its approach as appropriate. The outcome of this evaluation resulted in the following actions:

- The department monitored the progress of Canada-EU negotiations and provided full representation on fisheries related issues of importance to the province.
- Provincial representatives were present during the NAFO meetings as members of the Canadian delegation. DFA determined the proposed amendments to NAFO held the potential to reduce Canadian fisheries'

authority inside our 200 mile Exclusive Economic Zone and clearly indicated our opposition.

- With respect to trade intelligence and trade relations, the department has increased its scrutiny of these issues through extensive research and monitoring, meetings, attendance at conferences and trade shows, the preparation of trade profiles, conference calls, analysis, assessment of implications for the province, discussions with stakeholders and verbal and written presentations of positions and concerns to the federal government.
- In regard to the management of the various fisheries, the department attended numerous advisory committee meetings and consultations, engaged in DFO's Regional Advisory Process (RAP) scientific assessments, COSEWIC/SARA meetings, conferences, and participated in working groups and conference calls.
- The department provided feedback on the NASAPI initiative through the federal government consultation process. The department also identified the province's aquaculture priorities for inclusion in the NASAPI, thereby ensuring its priorities will be considered in the decision-making process for funding of aquaculture projects.
- In response to the European Parliament vote to endorse a bill banning the import of seal products, the department pressed the federal government to take the EU to WTO consultations. The department continues to work with sealing industry participants and organizations such as the Canadian Sealers Association, and federal, provincial and territorial governments, to review its position on the Canadian sealing industry as well as the impact federal government initiatives may have on the Newfoundland and Labrador sealing industry.

STRATEGIC ISSUE 3

Commitment for 2010-2011

Objective 3: By March 31, 2011, the Department of Fisheries and Aquaculture will have determined the effectiveness of the province's position on marine fisheries, aquaculture, trade issues and coastal and oceans management.

Measure: Determined the effectiveness of the province's position on marine fisheries, aquaculture, trade issues and coastal and oceans management.

Indicators:

3.1 Reviewed the province's position to determine its effectiveness regarding:

- Encouragement of the federal government to represent the interests of the NL fishing and aquaculture industries to the WTO and EU
- Work with the federal government to address trade bans on seal products
- The pursuance of agreements with the federal government on coastal and oceans management
- Participation in federal processes to influence outcomes of provincial interest
- Pursuance of federal funding for aquaculture projects identified by the provin

STRATEGIC ISSUE 4

ENHANCING THE VALUE
OF THE FISHING AND
AQUACULTURE
INDUSTRIES

4

STRATEGIC ISSUE



Goal 4: By March 31, 2011, the Department of Fisheries and Aquaculture will have implemented additional initiatives designed to enhance the value and presence of Newfoundland and Labrador seafood products in the global marketplace.

Objective 2: By March 31, 2010, the Department of Fisheries and Aquaculture will have continued implementation of initiatives designed to enhance the value and presence of Newfoundland and Labrador seafood products in the global marketplace.

Measure: Continued implementation of initiatives designed to enhance the value and presence of Newfoundland and Labrador seafood products in the global marketplace.

Opening Discussion

The viability of Newfoundland and Labrador's fishing and aquaculture industries is challenged by the complexity of today's economic circumstances. The global economic crisis, changes in market demand, exchange rate fluctuations, competition from low-cost producers, and international tariff and trade barriers pose a significant challenge to the province's seafood sector. Throughout 2009-10, the department worked with federal and provincial counterparts and industry to respond to these challenges.

In 2008, CCFAM created a Traceability Task Group (TTG), mandated to recommend and initiate a coordinated and integrated traceability process that would address national and international information requirements for Canadian fish and seafood products in the wild capture fisheries and aquaculture. The TTG divided its work into two streams. The first was to design a Canadian response to the EU regulation on illegal, unreported and unregulated (IUU) fishing that was implemented in January 2010, and the second was to develop a national fish and seafood traceability strategy. The department is involved in both strategies. This work is essential to the long-term marketability of provincial seafood products.

Throughout the year, the department worked with the fishing industry to implement market enhancement initiatives, support fisheries innovation and implement new quality initiatives. The department's work to enhance the value and presence of Newfoundland and Labrador seafood products in the global marketplace supported the province's strategic direction to strengthen the role of the fishing industry as a key pillar of sustainable economic growth within the province.

4.1 Worked with industry to implement market enhancement initiatives

Accomplishment

The department's primary focus in seafood marketing is to work with industry to achieve increased market awareness and demand for a wide variety of seafood products in global markets. Key activities included the organization of trade shows and missions, seafood promotion, market research, market intelligence, and assistance in the delivery of industry-led market development projects. The department has met its commitment with respect to implementing market enhancement initiatives.

Departmental and fishing industry representatives exhibited at the International Boston Seafood Show, European Seafood Exhibition, China Fisheries and Seafood Expo, and World Food Moscow. The department provided financial assistance to provincial industry representatives who attended China Fisheries and Seafood Expo and World Food Moscow.

In 2009-10, the department contracted a graphic design firm to develop new graphics for departmental use at major seafood trade events. The new look was introduced at the China Fisheries and Seafood Expo, the International Boston Seafood Show and World Food Moscow. In addition to the new graphics, a new booth design was contracted for the Newfoundland and Labrador Pavilion at the International Boston Seafood Show. The department created new promotional materials in English, Russian and Mandarin for distribution during the events. This work was intended to draw additional attention to provincial seafood products in international venues.

Throughout the year, the department continued to work with industry stakeholders in identifying marketing opportunities. The department partnered with Agriculture and AgriFoods Canada to link incoming buyers' missions with NL seafood processors. The department worked with the Mussel Industry Council in implementing mussel marketing initiatives. Mussel processors and associations from the five eastern provinces (NL, NS, NB, PE, QC) sit on the council. The MIC's mandate is the generic promotion of Canadian mussels. The department also engaged a consulting firm to conduct a mussel market study for the provincial farmed mussel sector. The study will evaluate the current status of the sector and examine the perception of provincial farmed mussels in the marketplace.

The department has also participated in a wide range of lobster marketing initiatives, including the establishment of the Lobster Council of Canada. Funding was provided by the department for the Lobster Council, the Lobster Marketing Strategy, the Four City Lobster Tour and other promotional events. The objective of these projects was to increase demand for Canadian lobster. Throughout the year, the department provided assistance to industry representatives to attend lobster promotional events in China and New York and lumproe meetings in Copenhagen.

STRATEGIC ISSUE 4

As companies and consumers worldwide become increasingly concerned over whether products they purchase are from sustainable resources, the importance of eco-labelling becomes ever more significant. A number of provincial fisheries have acquired or are in the process of acquiring Marine Stewardship Council (MSC) certification. MSC certification will potentially provide access to new markets. The department supports eco-certification and has contributed funding toward the cost of certifying provincial fisheries. In 2009-10, the department assisted with the assessment of the Atlantic herring fishery. The department has and will continue to work with MSC and other eco-certifiers who follow DFO guidelines for eco-labelling, to ensure their certification process in the province is running smoothly and cost-efficiently.

Through its work in implementing market enhancements, the department contributed to the province's strategic direction to strengthen the role of the fishing industry as a key pillar of sustainable economic growth within the province.

4.2 Supported initiatives to enhance fisheries innovation

Accomplishment

In 2009-10, DFA continued to support fisheries innovation through delivery of FTNOP. FTNOP, an initiative under the FIR strategy, is aimed at diversifying the industry, making it more competitive in the global marketplace, and thereby increasing the overall economic viability of the industry. The department has met its commitment to support initiatives to enhance fisheries innovation.

At March 31, 2010, there were approximately 60 applications received for program funding. Of the approved projects, approximately 38 percent were harvesting related, 32 percent were related to processing, and 29 percent were marketing related.

Through FTNOP, the department supported innovative initiatives, with special emphasis on energy efficiency, safety, efficient utilization of traditional species, better use of underutilized species, and enhanced value-realization of all fisheries resources. The department also supported proposals focused on the recovery of raw material waste and reduced discarding of fishery by-products, resource surveys, new technology, enhanced quality, and market research and promotion.

A number of energy efficiency initiatives were carried out through industry partnerships. On the harvesting side, audits were completed on 12 vessels, representing a cross-section of various vessel sizes, up to 65 feet in length. Based on the surveys, detailed recommendations were made for each vessel. As a result, an audit template has now been developed to support further initiatives in this area. In addition, a series of fact sheets were developed and provided to vessel owners. The fact sheets provided information on ways to reduce energy consumption and fuel consumption onboard vessels.

On the processing side, a series of energy efficiency workshops were carried out across the province. During the workshops, an Energy Reduction Handbook was rolled out to the fishing industry. In addition, the workshops provided an opportunity for industry participants to hold interactive discussions with energy efficiency consultants.

4.3 Worked with industry to implement new quality initiatives

Accomplishment

During 2009-10, the department implemented the following new quality assurance initiatives:

- Quality training was delivered by the MI to ensure quality control workers were familiar with those industry standards and protocols required by shrimp customers in the United Kingdom and EU.
- Funding was provided to NAIA to assist with the launch of professional development training for local finfish and shellfish aquaculturists. The training, delivered by the MI, will also cover worker issues, safety, workforce skill development and opportunities for expansion. It is anticipated there will be 30 sessions over a three-year period.
- Provided financial support for an on-board handling assessment for yellowtail.
- Provided financial support for the study and assessment of on-board handling of shrimp.
- Worked in collaboration with HRLE, PFHCB, CSA, the FFAW and DFO to provide information sessions aimed at promoting consistency in the seal harvest, quality of product and professionalization in the industry.
- Introduced the use of Summary Offence Tickets during the start of the 2009 fishing season. Throughout the fiscal year, inspectors worked closely with harvesters and processors on the new ticketing system, distributed informational brochures and provided advice and feedback on proper quality techniques.

The Department of Fisheries and Aquaculture, in partnership with industry, actively looks at new alternatives for realizing improved quality in the seafood industry.

Discussion of results

Throughout the 2009-10 fiscal year, the department continued to implement additional initiatives designed to enhance the value and presence of provincial seafood products in the global marketplace. The department presented a new look at international exhibitions and seafood shows in the hope of garnering additional attention for provincial seafood products. Funding was provided to the MIC to assist in the promotion of mussels. The department also participated in a wide range of lobster marketing initia-

STRATEGIC ISSUE 4

Commitment for 2010-2011

Objective 3: By March 31, 2011, the Department of Fisheries and Aquaculture will have implemented initiatives designed to enhance the value and presence of Newfoundland and Labrador seafood products in the global marketplace.

Measure: Implemented initiatives designed to enhance the value and presence of Newfoundland and Labrador seafood products in the global marketplace.

Indicators:

4.1 Worked with industry and the federal government to implement market enhancement initiatives.

4.2 Worked with industry to implement initiatives to enhance fisheries innovation.

4.3 Worked with industry to implement new quality initiatives.

tives, including the establishment of the Lobster Council of Canada. The department supports eco-certification and has contributed funding towards the cost of certifying provincial seafood. In 2009, the department assisted in the certification of the Atlantic herring industry.

Under FTNOP, the department supported projects that contribute to the processing, harvesting and marketing sectors. These initiatives will help ensure the Newfoundland and Labrador seafood industry continues to be a major economic contributor to the provincial economy. The department supported innovative initiatives on energy efficiency, safety, the efficient utilization of traditional species, better use of underutilized species, market development and enhanced value-realization of all fisheries resources.

Over the course of the fiscal year, the department worked with industry on the implementation of numerous quality initiatives. Quality assurance is an important initiative in the seafood industry. The department partnered with industry and associations in the provision of professional development training for local finfish and shellfish aquaculturists, training for quality control shrimp plant workers, information sessions for sealers aimed at promoting consistency in the seal harvest, quality of product and professionalization in the sealing industry.

Enhancing the value and presence of our seafood products locally, nationally and internationally will help ensure the success of the province's fishing industry.



DFA supports Marine Stewardship Council eco-certification of species such as yellowtail flounder, pictured above.

5 STRATEGIC ISSUE



STRATEGIC ISSUE 5

FISHING INDUSTRY RENEWAL

Goal 5: By March 31, 2011, the Department of Fisheries and Aquaculture will have implemented Fishing Industry Renewal initiatives aimed at supporting the viability and competitiveness of the fishing industry.

Objective 2: By March 31, 2010, the Department of Fisheries and Aquaculture will have continued the implementation of Fishing Industry Renewal initiatives aimed at supporting the viability and competitiveness of the fishing industry.

Measure: Continued the implementation of Fishing Industry Renewal initiatives aimed at supporting the viability and competitiveness of the fishing industry.

Introduction

The FIR strategy, a joint federal and provincial suite of programs, was designed to support the fishing industry in adapting to changing resource and market conditions. The FIR strategy attempts to bring stability to communities that depend on the fishery. The strategy includes a number of provincial initiatives (processing policy renewal, fish auction, enhanced marketing, increased fisheries research and development, a fishing industry safety council, enhanced Loan Guarantee Program, and workforce adjustment measures) as well as federal initiatives. The federal initiatives include new federal licensing policy changes intended to encourage fleet rationalization through the combining of fishing enterprises and improving harvesters' ability to access financing through traditional lenders, such as banks, by facilitating the use of licenses as collateral.

The FIR strategy presents a passive approach to industry renewal. However, the global economic crisis, the high cost of fuel and adverse exchange rates require that all parties consider a more aggressive level of intervention. In July 2009, the department signed an MOU with the FFAW and ASP which provided the mechanism for such an intervention.

The MOU builds on the fisheries restructuring strategy developed under the FIR strategy. The MOU is essentially a further commitment by its signatories to find and implement satisfactory solutions to the structural challenges that negatively impact the economic viability of the province's fishing industry.

Since signing the MOU in July 2009, the parties to this understanding have engaged in an extensive process of data collection and analysis of the fishing industry's financial status. Also, the processors' organization, ASP, and

STRATEGIC ISSUE 5

the FFAW have developed industry restructuring and rationalization proposals for the processing and harvesting sectors respectively. Proposals for the development of marketing consortia were also tabled during this period. The work on the MOU is managed and coordinated by a Steering Committee of the parties to the MOU and is independently chaired by MUN's Associate Dean of Business, Professor Tom Clift. Federal officials participate as ex-officio members of the Steering Committee. Other consultants and analysts have been engaged by the department to augment internal resources in the conduct of this work. In February 2009, Minister Jackman provided an update on the MOU process, including an overview of the industry proposals to his federal counterpart, Minister Gail Shea, Minister of Fisheries and Oceans. It is anticipated that the MOU process will conclude in the 2010-11 fiscal year.

The Department of Fisheries and Aquaculture continues to make significant progress on those elements of the FIR strategy falling under provincial jurisdiction. The department has been proactive in establishing policies and mechanisms that will support industry renewal.

5.1.1 Worked with industry to implement the following Fishing Industry Renewal Initiatives: Enhanced Marketing

Accomplishment

Enhanced marketing, as described under the FIR strategy, involved establishing a Newfoundland and Labrador Seafood Marketing Council (NLSMC). The province offered \$5.6 million towards the establishment of an NLSMC. The intention was that the council would work in partnership with the province to foster the enhanced marketing of provincial seafood through the development and implementation of a long-term marketing strategy, including research and intelligence, promotional campaigns, and the promotion of collaborative marketing efforts within the industry.

In 2008-09, the department consulted with industry to determine industry interest in an NLSMC. An industry vote determined that a marketing council was not supported by processors. The department continued to work with industry throughout this fiscal year to identify an acceptable option. The July 2009 MOU provided a vehicle through which an acceptable option could be explored.

Four working groups were struck under the MOU, one of which was a seafood marketing working group. This working group was tasked with improving the sales and marketing of NL seafood products. Department officials have led the ongoing analysis of proposals and options. Final recommendations are expected in the 2010-11 fiscal year.

Throughout the year, the department has continued to work with industry on the implementation of other market enhancements. Throughout the year, the department continued to collect and disseminate market intelligence information to industry stakeholders. As in the past, any requests for information on provincial seafood products, information on incoming and outgoing missions, trade contacts obtained at trade shows and market

updates were forwarded to industry participants. Partnerships with industry are essential to enhanced marketing efforts.

During 2009-10, the department continued to promote collaborative marketing efforts within the industry. The department worked with industry and other jurisdictions on joint marketing initiatives associated with the Lobster Council of Canada and the Canadian Mussel Industry Council. The department provided \$100,000 in funding to the Canadian Seal Marketing Group for the development of new seal garments for 2009-10. Funding for the project was also provided by the federal government, the Government of Nunavut, the Government of Norway, and the sealing companies within the Canadian Seal Marketing Group. Two of the three companies involved in this work are Newfoundland and Labrador companies. The Canadian Seal Marketing Group participated in fur trade and fashion shows in Beijing and Hong Kong. The response was positive and also generated many inquiries about seal meat products.

The department continues to look at options to enhance the marketing of our seafood and will continue to work with industry to more effectively market our seafood products.

5.1.2 Worked with industry to implement the following Fishing Industry Renewal Initiatives: Safety Initiatives

Accomplishment

The department worked on four key safety initiatives during 2009-10:

1. The e-simulator distance education program for fishing vessel stability management
2. A fish harvesting safety video
3. Work towards the establishment of a fishing industry safety council
4. Update of the seal harvesting video

The department partnered with the NL PFHCB, the CCPFH and the MI in the development of detailed curriculum content and functional specifications for the e-simulator. The e-simulator will provide those working in the industry with a good understanding of basic stability concepts for the safe operation of fishing vessels.

Through FTNOP, the department partnered with the WHSCC, CCFI, the MI and the PFHCB in the production of a video on safety and seamanship to help eliminate fatalities and injuries in the harvesting sector. The video, which will be distributed free of charge to all fish harvesters, will be released in early spring 2010.

The department continued to work with the WHSCC, the Occupational Health and Safety Branch of Government Services, and industry organizations to enhance safety in the province's fishing industry through the creation of a Fishing Industry Safety Council. Options for a single council or separate harvesting and processing safety organizations are being considered.

STRATEGIC ISSUE 5

In addition, with new federal regulations impacting the 2010 seal harvest, the department coordinated efforts to update the seal harvesting video to reflect best practices and help ensure a safe and humane harvest.

Each of these initiatives played an important role in advancing the department's commitment under FIR. The department has met its commitment in respect to this indicator.

5.1.3 Worked with industry to implement the following Fishing Industry Renewal Initiatives: Enhanced Fisheries Loan Guarantee Program

Accomplishment

Throughout 2009-10, the department worked with INTRD, administrators of the Fisheries Loan Guarantee Program (FLGP), to move forward with its commitment to include licenses as an eligible item under the FLGP. By the end of the fiscal year, for reasons outside its control, the department remained unable to meet this commitment.

Under FIR, the federal government committed to improving harvesters' ability to access financing through traditional lenders, such as banks, by facilitating the use of licenses as collateral. As a result of this commitment, the provincial government intended to expand the FLGP to include licenses as an eligible item under the Program. This change would allow harvesters to take advantage of federal policy changes around the combining of enterprises. However, subsequent to the April 2007 announcement of the FIR initiative, the federal government determined that licenses could not be used as collateral. As a result, the province was prevented from including licenses as an eligible item under the FLGP. One consequence of this decision by the federal government was that it made it difficult for harvesters to raise the capital necessary to take on the combining of enterprises.

The 2008 ruling by the Supreme Court of Canada (*Saulnier vs. Royal Bank*) that allowed for fishing licenses to be used as collateral, has the potential to increase a harvester's ability to access capital for enterprise combining. In 2009, the federal government provided a response to this decision. The department has contacted the federal government in an attempt to obtain further clarification on whether DFO is prepared, in the case of a security registered under the province's *Personal Property Security Act* (PPSA), to accept a license transfer document signed by the harvester at the time the loan is approved by the bank, as opposed to later when the loan is in default. This has been a critical issue for the participating banks from a security perspective. Banks have indicated they require enforceable security that would not be tied up for long periods through litigation. Litigation would be possible if the transfer document was signed at the time of default rather than at the time the loan is approved.

Until this issue is resolved, the department cannot include licenses as an eligible item under the FLGP because financial institutions require a license transfer document to be signed at the time the loan is approved. The department continues to seek clarification on DFO's response to the *Saulnier* decision and how this will impact on the access to capital issue for Newfoundland and Labrador.

Discussion of results

Throughout the year, the department continued the implementation of FIR initiatives aimed at supporting the viability and competitiveness of the fishing industry. The July 2009 MOU with the FFAW and ASP allowed for a more aggressive approach to the resolution of issues identified under the FIR strategy.

The Marketing Working Group, one of the four groups struck under the MOU, began the analysis of the marketing proposals that were submitted. The various proposals are being assessed with a view to developing a long-term collaborative marketing strategy for the industry. The department worked with industry and other jurisdictions on joint marketing initiatives associated with the Lobster Council of Canada, the Canadian Mussel Industry Council and the Canadian Seal Marketing Group.

The department worked on a number of safety initiatives during 2009-10, all of which played an important role in advancing the department's commitment under the FIR strategy. This work involved an e-simulator distance education program for fishing vessel stability management, a fish harvesting safety video, work toward establishing a fishing industry safety council and an update of the seal harvesting video.

The FLGP is delivered by INTRD and currently does not include licenses as an eligible item for collateral. During 2009-10, the department worked with INTRD, the Department of Finance and DFO in an effort to resolve this issue. The province can move forward with its commitment to include licenses as an eligible item under the FLGP only when the federal government allows a license transfer document signed by the harvester at the time the loan is approved by the bank to be used as collateral.

DFA has made significant progress towards the implementation of FIR strategy initiatives aimed at supporting the viability and competitiveness of the fishing industry. This work has served to support government's strategic direction to strengthen the role of the fishing industry as a key pillar of sustainable economic growth within the province.

STRATEGIC ISSUE 5

Commitment for 2010-2011

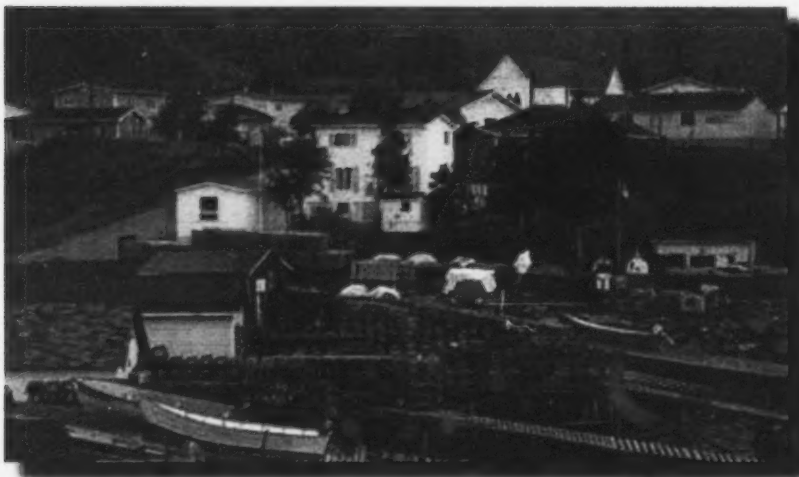
Objective 3: By March 31, 2011, the Department of Fisheries and Aquaculture will have completed the implementation of Fishing Industry Renewal initiatives aimed at supporting the viability and competitiveness of the fishing industry.

Measure: Completed the implementation of Fishing Industry Renewal initiatives aimed at supporting the viability and competitiveness of the fishing industry.

Indicators:

5.1 Worked with industry to complete the implementation of the following Fishing Industry Renewal Initiatives:

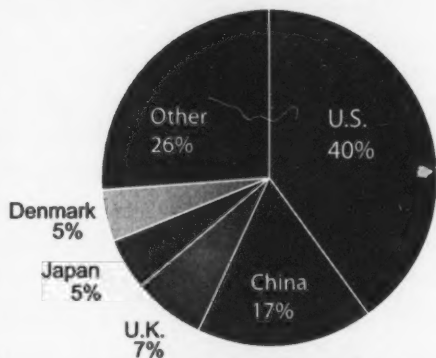
- Enhanced marketing
- Safety Initiatives
- Enhanced Fisheries Loan Guarantee Program



Pool's Cove

Market Overview

2009 Seafood Markets by Export Value



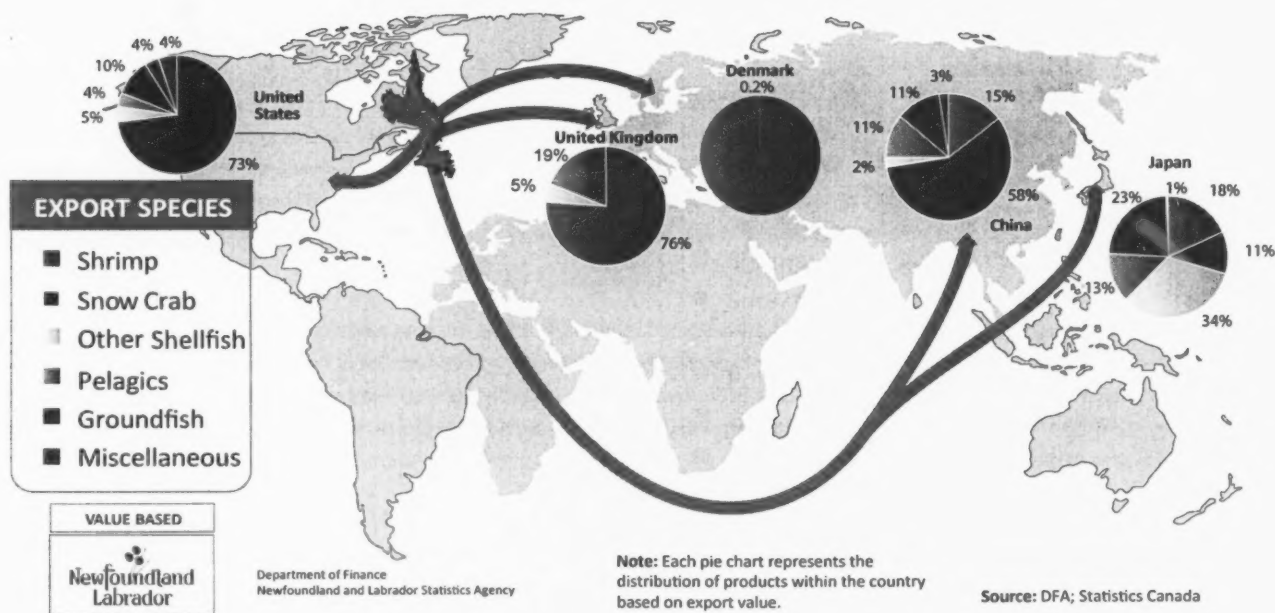
Note: NL export value= \$721 million. Percentages may not equal 100 percent due to independent rounding.

Source: Statistics Canada

The worldwide economic recession, combined with a strengthening Canadian dollar, negatively impacted provincial seafood exporters in 2009. According to Statistics Canada, provincial seafood exports fell 4.4 percent to 167,691 tonnes in 2009, from 175,452 tonnes the previous year. The corresponding value dropped 11.2 percent to \$721 million. Export figures were expected to be significantly lower; however, inventory build-up from 2008 and an increase in salmon and steelhead trout exports offset some of the expected decline.

The United States (US) and China continued to be the largest seafood markets for the Newfoundland and Labrador seafood industry in 2009. The US accounted for 40.3 percent of the province's total export value in 2009 compared to 31.9 percent in 2008. China accounted for 16.9 percent of the total provincial export value in 2009, and 20.5 percent in 2008. Other key export markets in 2009 included the United Kingdom, Japan and Denmark. These top five markets comprised 73.6 percent of the province's export value. The remaining 26.4 percent was exported to approximately 50 other countries.

World Markets for Newfoundland and Labrador Fish and Seafood Products 2009



Department of Fisheries and Aquaculture Committee participation at the National and Regional Levels*

National Committee Participation

- Canada/France Fisheries Advisory Committee
- Canada/Greenland Fisheries Advisory Committee
- Canada/Newfoundland and Labrador Committee on Ocean Management
- Canadian Council of Fisheries and Aquaculture Ministers (CCFAM)
- Atlantic Council of Fisheries and Aquaculture Ministers (ACFAM) and related task groups
- Strategic Management Committee (replaces Aquaculture Task Group)
- CCFAM Traceability Task Group
- CCFAM Working Group on Emerging Fisheries
- Canadian delegation to Northwest Atlantic Fisheries Organization
- Canadian Food Inspection Agency (CFIA) Animal Health Foresight Technical Advisory Committee
- CFIA Working Group for Disease Control
- Canadian Shellfish Sanitation Program Working Group
- Committee on the Status of Endangered Wildlife in Canada
- Provincial Introductions and Transfer Committee
- Federal/Provincial Market Development Council
- Fisheries Resource Conservation Council
- Health Canada Expert Advisory Panel on Veterinary Drugs
- Lobster Council of Canada Steering Committee
- National Aquatic Invasive Steering Committee
- National Fish Health Management Working Group
- Seafood Value Chain Roundtable

Regional/Provincial Committee Participation

- Atlantic Coastal Zone Information Steering Committee
- Atlantic Interdepartmental Shellfish Committee
- Atlantic Large Pelagic Advisory Committee
- Atlantic Mackerel Advisory Committee
- Atlantic Seal Advisory Committee
- Eastern Aquaculture Veterinary Association (sub-committees)
- Gulf Groundfish Advisory Committee
- Gulf Shrimp Advisory Committee
- New England Governors and Eastern Canadian Premiers Oceans Working Committee
- Northern Shrimp Advisory Committee
- Offshore Clam Advisory Committee
- Offshore Scallop Advisory Committee
- Placentia Bay Integrated Management Planning Committee
- Provincial Investment Attraction Strategy Committee
- Coast of Bays Coastal Planning Committee

*Note: This list is not exhaustive.

2009-10 EVENT PARTICIPATION

Trade Shows

- European Seafood Exposition, Brussels, Belgium - April 2009.
- World Food Moscow, Moscow, Russia - September 2009.
- China Fisheries and Seafood Expo 2009, Quindao, China - November 2009.
- Vancouver Olympics, Vancouver, British Columbia - February 2010.
- International Boston Seafood Show, Boston, USA - March 2010.

Conferences and Events

- Trace R&D, Traceability Conference, Winnipeg, Manitoba - June 2009.
- Lobster Science Workshop, Charlottetown, Prince Edward Island - July 2009.
- CCFAM, O'Leary and Brudenell River, Prince Edward Island - June 2009 and October 2009.
- ACFAM, Charlottetown, Prince Edward Island - June 2009 and October 2009; Montreal, Quebec - December 2009; Halifax, Nova Scotia - January 2010.
- Aqua Nor 2009, International Aquaculture Exhibition, Trondheim, Norway - August 2009.
- Lobster Marketing Campaign, various locations - Vancouver, British Columbia; Edmonton and Calgary, Alberta; Toronto, Ontario - August 2009.
- 2009 Aquaculture Showcase, Coast of Bays, Newfoundland and Labrador - September 2009.
- NAFO Annual Meeting, Bergen, Norway - September 2009.
- World Seafood Congress (IAFI), Agadir, Morocco - October 2009.
- Agrifoods and Garden Show, Corner Brook, Newfoundland and Labrador - October 2009.
- Fisheries Council of Canada: Annual Convention, Charlottetown, Prince Edward Island - October 2009.
- IWG, St. John's, Newfoundland and Labrador - November 2009.
- APEC, St. John's, Newfoundland and Labrador - November 2009.
- NAFO Fisheries Commission, London, England - November 2009.

FISHING INDUSTRY CHALLENGES AND OPPORTUNITIES

FISHING INDUSTRY

DFA will continue to confront the issues facing the fishery and work with industry stakeholders to address the challenges ahead.

Challenges

Global Pressures

- Global economic crisis
- Changes in market demand
- Variation in market prices
- Competition from low-cost producers
- Exchange rate fluctuations
- Fuel price volatility
- International tariff and trade barriers (e.g. Autonomous Tariff Rate Quota shrimp quotas and EU seal products ban)

Fishing Industry Structural Challenges

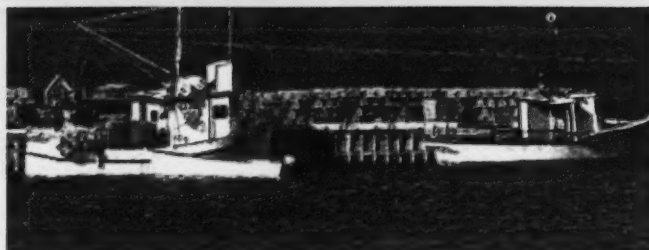
- Overcapacity in the harvesting and processing sectors
- Seasonality of the industry
- Aging infrastructure
- Need for modernization
- Resource uncertainty
- Weak collaborative marketing

Workforce Challenges

- Impending industry labour shortage due to aging workers
- Limited attraction and retention of new workers due to seasonal employment, low income and lack of job security
- Evolving technology in the work environment, requiring specialized training

Opportunities

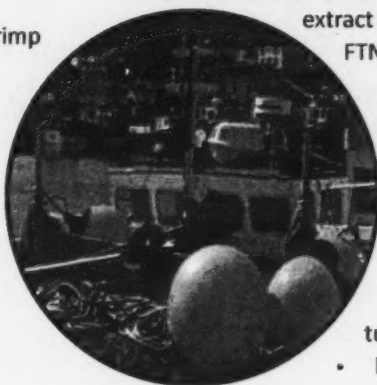
In April 2007, the province launched a Fishing Industry Renewal Strategy to respond to the challenges facing the fishing industry and to create opportunities to help transform the industry into a sustainable, economically viable and internationally competitive industry.



In July 2009, DFA, the FFAW and ASP signed an MOU on Fishing Industry Restructuring. The MOU builds on the fisheries restructuring strategy and is essentially a further commitment to find satisfactory solutions to the structural, resource, market and policy issues that negatively impact the economic viability of the industry.

Marketing Opportunities

- Increased international presence and market access
- Branding and product differentiation
- Marine Stewardship Council certification for NL fisheries and product traceability initiatives to enhance the market access
- Increased opportunities for research and development to extract optimal value from available resources through FTNOP

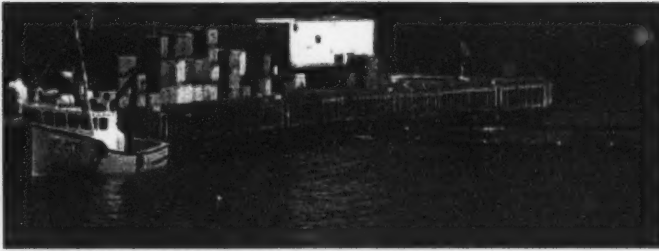


Processing Sector

- Improved viability resulting from fish processing licensing policy revisions
- Support for regional approach to fish processing
- Increased research and development opportunities through FTNOP
- Enhanced quality initiatives through the Inspection and Enforcement Program
- Availability of the Workforce Adjustment Program for displaced workers
- Shrimp quality assurance
- Increased health and safety initiatives
- Increased energy efficiency initiatives
- Secondary and value-added processing
- Promotion of full utilization

Harvesting Sector

- Enhanced Fisheries Loan Guarantee Program
- Small vessel energy efficiency initiatives
- Enhanced quality initiatives
- Increased health and safety initiatives
- Sustainable management



AQUACULTURE CHALLENGES AND OPPORTUNITIES

AQUACULTURE INDUSTRY

The aquaculture industry continues to prosper and enhance an economy that is driven by the marine fishery. Aquaculture has grown steadily year after year. With the increased production volume of Atlantic salmon and steelhead trout, coupled with favourable market prices, the export values of this industry increased by 46 percent in 2009 over the previous year. The industry directly employs 655 individuals and generates secondary employment through the supply and service sectors.

The province has led the way to address challenges and exploit opportunities in the industry in order to establish a sustainable and viable industry that is known for healthy, high quality seafood products.

Challenges

Global Pressures

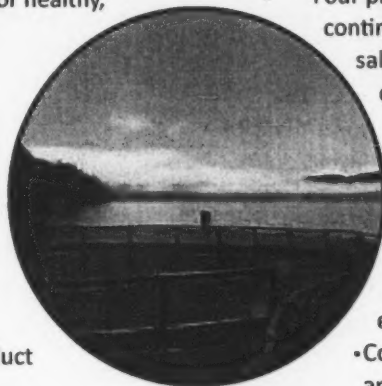
- Global economic crisis
- Variation in market prices
- Exchange rate volatility
- Identification of new markets
- Increasing production to meet growing demand
- Access to capital, competition and product certification

Sustainability

- Maintaining investment in the industry
- Developing a sustainable management strategy
- Increasing and upgrading infrastructure to support expansion
- Waste management
- Developing increased biosecurity approaches
- Increasing aquaculture health management services

Workforce Challenges

- Recruiting and retaining trained employees
- Limited numbers of specialized aquaculture veterinarians to service a growing industry
- Evolving technology in the work environment, requiring specialized training or highly specialized technicians



Opportunities

Newfoundland and Labrador is blessed with natural resources and is backed by a supportive government. The department is working with all stakeholders to capitalize on the province's assets to ensure and expand a viable, sustainable and competitive aquaculture industry.

Favourable Development Climate

- Abundant areas for development with excellent water quality
- Skilled and experienced workforce supported by collaborative relationships with the scientific and academic communities
- Four priority species ideally suited for continued development in this province: Atlantic salmon, steelhead trout, blue mussels and Atlantic cod.
 - Streamlined licensing process with federal / provincial cooperation
 - Expanded aquatic health capabilities
 - Infrastructure development underway
 - Hatchery planning and development
 - Aquaculture is seen as a priority for rural economic development
- Collaborative relationships with departments and agencies
- Business friendly province
- Increased global demand for quality seafood products from a sustainable industry
- Access to capital programs

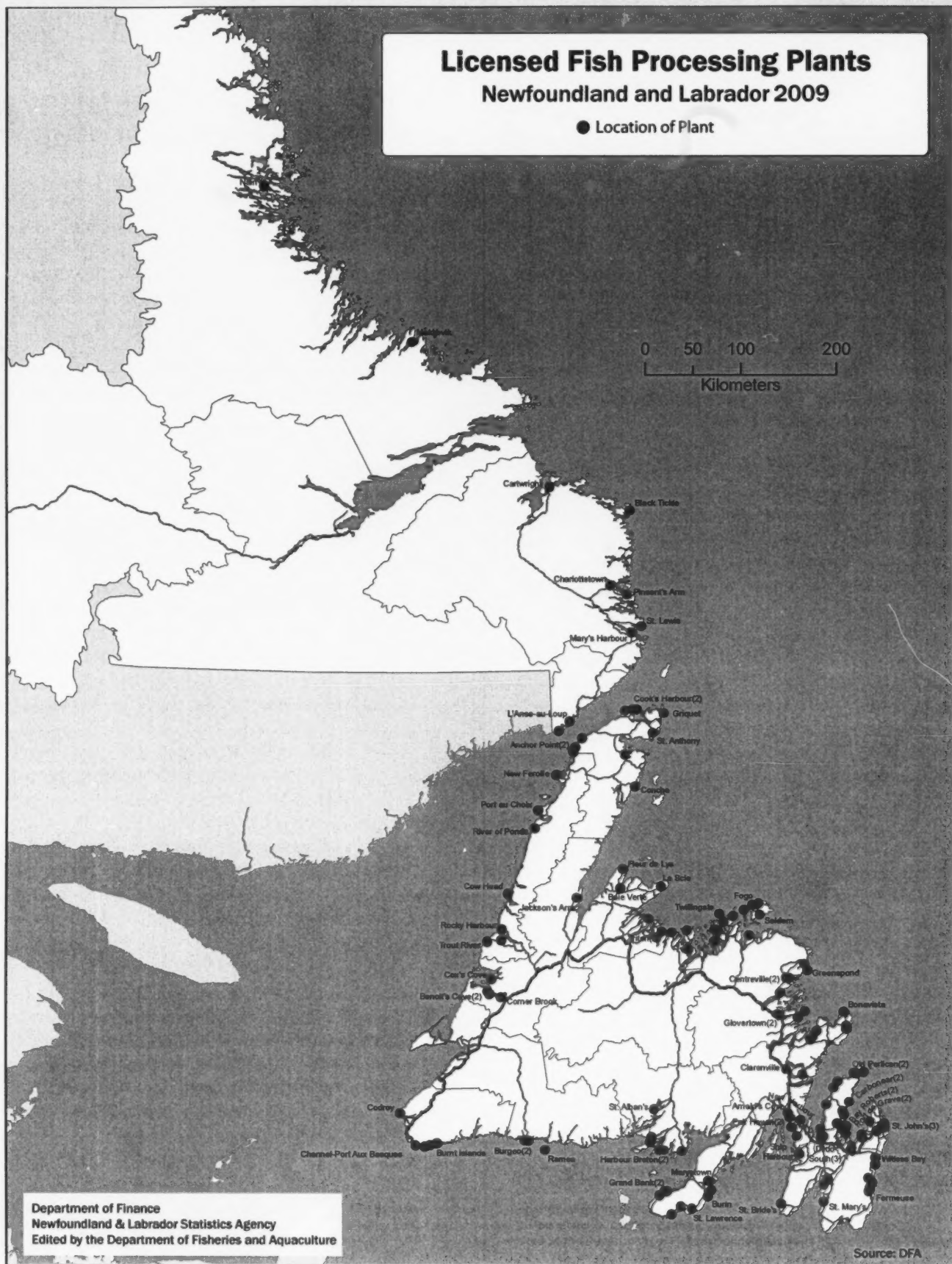
Development Opportunities

- Increased opportunity for service and supply sectors
- Potential to generate long-term, year-round employment through production, processing and service industries
- Greater levels of production
- Hatcheries
- Utilization of organic and inorganic waste
- Feed production and storage
- Equipment development and fabrication
- Developing more remote farming sites and offshore technology
- Certification programs

Licensed Fish Processing Plants Newfoundland and Labrador 2009

● Location of Plant

0 50 100 200
Kilometers



Department of Finance
Newfoundland & Labrador Statistics Agency
Edited by the Department of Fisheries and Aquaculture

Source: DFA

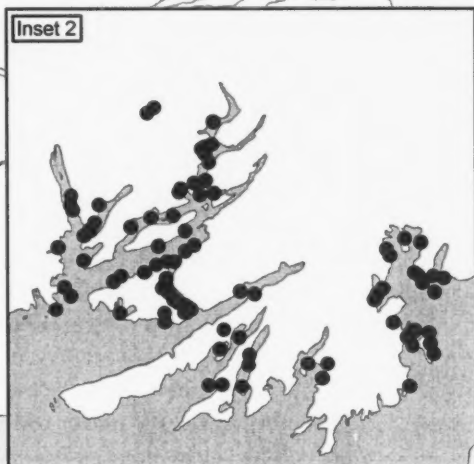
Aquaculture Sites Newfoundland and Labrador 2009

2J

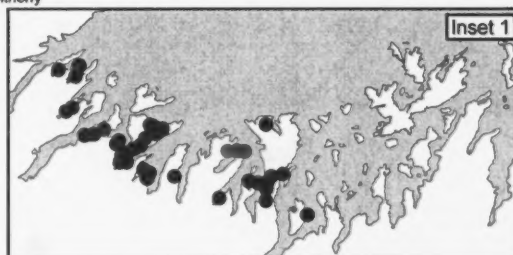
Aquaculture Site by Species

- Salmonid
- Shellfish

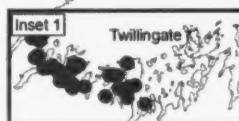
Inset 2



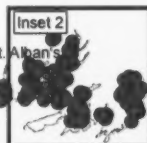
Inset 1



Inset 1



Inset 2



4S

4R

Rocky Harbour

Corner Brook

Channel-Port aux Basques

4Vn

3Pn

3Ps

3K

3L

Fogo

New-Wes-Valley

Glovertown

Bonavista

Clarenville

St. John's

Placentia

Grand Bank

Burin

St. Lawrence

Newfoundland
Labrador

Department of Finance
Newfoundland & Labrador Statistics Agency

Source: DFA

CONTACTS

Aquaculture

58 Hardy Avenue
P.O. Box 679
Grand Falls-Windsor, NL A2A 2K2
Tel: (709) 292-4100
Fax: (709) 292-4113

Regional Aquaculture

Department of Fisheries and Aquaculture
P.O. Box 340
St. Alban's, NL A0H 2E0
Tel: (709) 538-3740
Fax: (709) 538-3687
Email: aquaculture@gov.nl.ca

Fisheries

Petten Building
30 Strawberry Marsh Road
P.O. Box 8700
St. John's, NL A1B 4J6
Tel: (709) 729-3723
Fax: (709) 729-6082
Email: fisheries@gov.nl.ca

Director of Communications

Lori Lee Oates
Petten Building
30 Strawberry Marsh Road
P.O. Box 8700
St. John's, NL A1B 4J6
Tel: (709) 729-3733
oatesll@gov.nl.ca

Regional Offices

Eastern Region

P.O. Box 880
Grand Bank, NL A0E 1W0
Tel: (709) 832-2860
Fax: (709) 832-1669

Western Region

P.O. Box 2006
Corner Brook, NL A2H 6J8
Tel: (709) 637-2955
Fax: (709) 637-2908

Northern Region

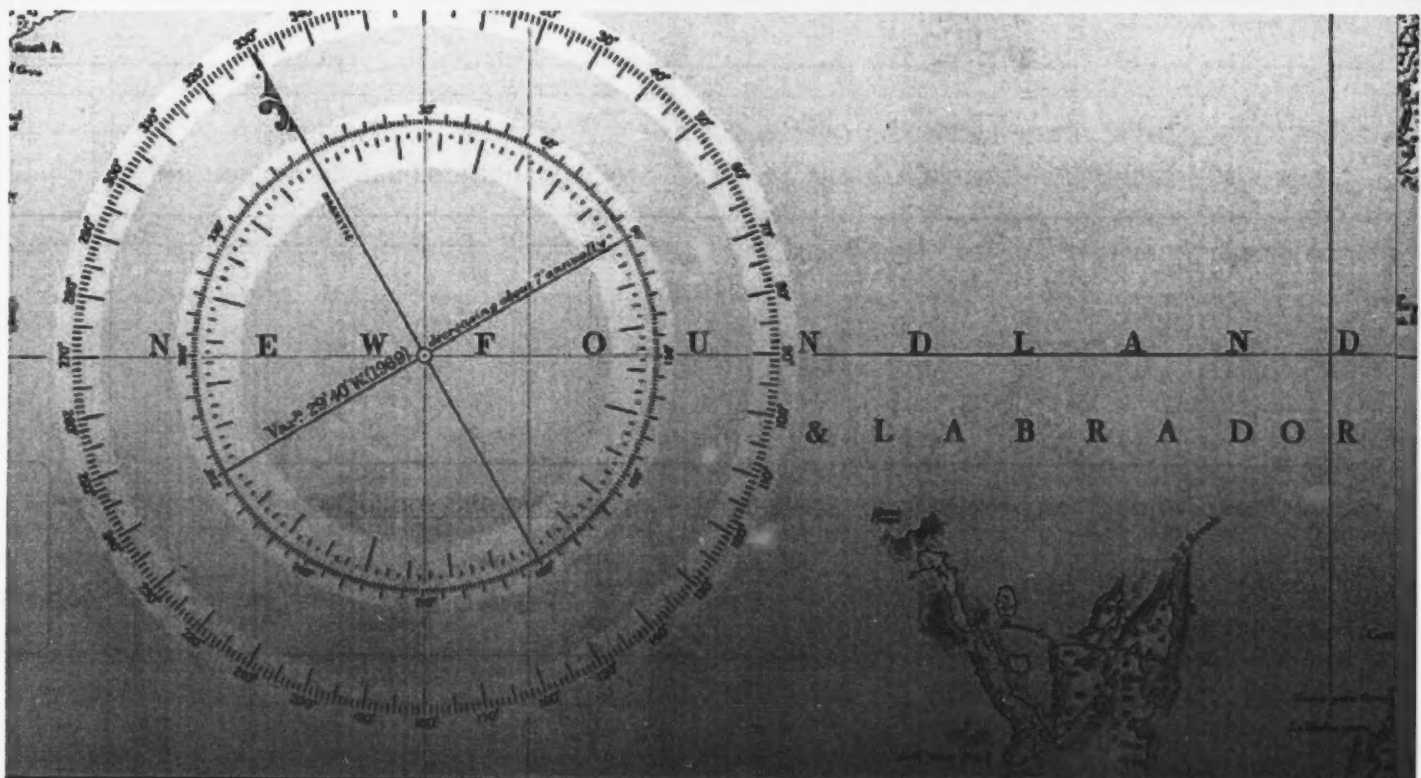
P.O. Box 3014, Station B
Happy Valley-Goose Bay, NL A0P 1E0
Tel: (709) 896-3412
Fax: (709) 896-3483

Photo Credits

Pg. 2 - Lisa de Leon - Petty Harbour
Pg. 6 - Dr. Daryl Whelan - Centre for Aquaculture Health and Development
Pg. 11 - Lisa de Leon - lobster
Pg. 11 - Jamie Baker- Plant workers - Courtesy FFAW
Pg. 21 - Arlene Churchill - St. Alban's
Pg. 30 - Jamie Baker- OCI - Courtesy FFAW
Pg. 39 - Arlene Churchill - Pool's Cove
Pg. 42 - Top - Jamie Baker- Comfort Cove Boats - Courtesy FFAW
Pg. 42 - Centre - Lisa de Leon - Fermeuse

Acronyms

| | |
|--|---|
| ACOA-Atlantic Canada Opportunities Agency | GEMP-Guide to Environmental Management Plan |
| ACFAM-Atlantic Council of Fisheries and Aquaculture Ministers | HRLE-The Department of Human Resources, Labour and Employment |
| ACRDP-Aquaculture Collaborative Research and Development Program | IGAS-Intergovernmental Affairs Secretariat |
| ADF-Aquaculture Development Framework | INTRD-The Department of Innovation, Trade and Rural Development |
| AIMAP-Aquaculture Innovation and Market Access Program | IUU-Illegal, Unreported and Unregulated Fishing |
| ASP-Association of Seafood Producers | MA- The Department of Municipal Affairs |
| ASMF- Aquaculture Sustainable Management Framework | MI-Marine Institute |
| BDP-Business Development Program | MIC-Mussel Industry Council |
| BMA-Bay Management Area | MOU- Memorandum of Understanding |
| CAHD-Centre for Aquaculture Health and Development | MSC-Marine Stewardship Council |
| CAS-D-Centre for Aquaculture and Seafood Development | NAFO- Northwest Atlantic Fisheries Organization |
| CCFAM-Canadian Council of Fisheries and Aquaculture Ministers | NAIA -Newfoundland Aquaculture Industry Association |
| CCFI-Canadian Centre for Fisheries Innovation | NASAPI-National Aquaculture Strategic Action Plan Initiative |
| CCPFH-Canadian Council of Professional Fish Harvesters | NLSMC -Newfoundland and Labrador Seafood Marketing Council |
| CFIA-Canadian Food Inspection Agency | NRC-National Research Council |
| COSEWIC-Committee on the Status of Endangered Wildlife in Canada | NSERC- National Science and Engineering Research Council |
| CSSP-Canadian Shellfish Sanitation Program | PBR-Production Based Regions |
| DELT-Distance Education Learning Technologies | PCON-Provincial Coastal and Oceans Network |
| DFA-Department of Fisheries and Aquaculture | PFHCB-Professional Fish Harvesters Certification Board |
| DFO-Department of Fisheries and Oceans Canada | PPSA-Province's Personal Property Security Act |
| DFAIT -Department of Foreign Affairs and International Trade | SARA- <i>Species at Risk Act</i> |
| EC-Department of Environment and Conservation | SMC-Strategic Management Committee |
| EU-European Union | TTG-Traceability Task Group |
| FIR-Fishing Industry Renewal | TW-The Department of Transportation and Works |
| FFAW-Fish, Food and Allied Workers | TC-Transport Canada |
| FLGP-Fisheries Loan Guarantee Program | WHSCC -Workplace Health, Safety and Compensation Commission |
| F/P/T-Federal/Provincial/Territorial | WTO-World Trade Organization |
| FTNOP-Fisheries Technology and New Opportunities Program | |



www.fishaq.gov.nl.ca

